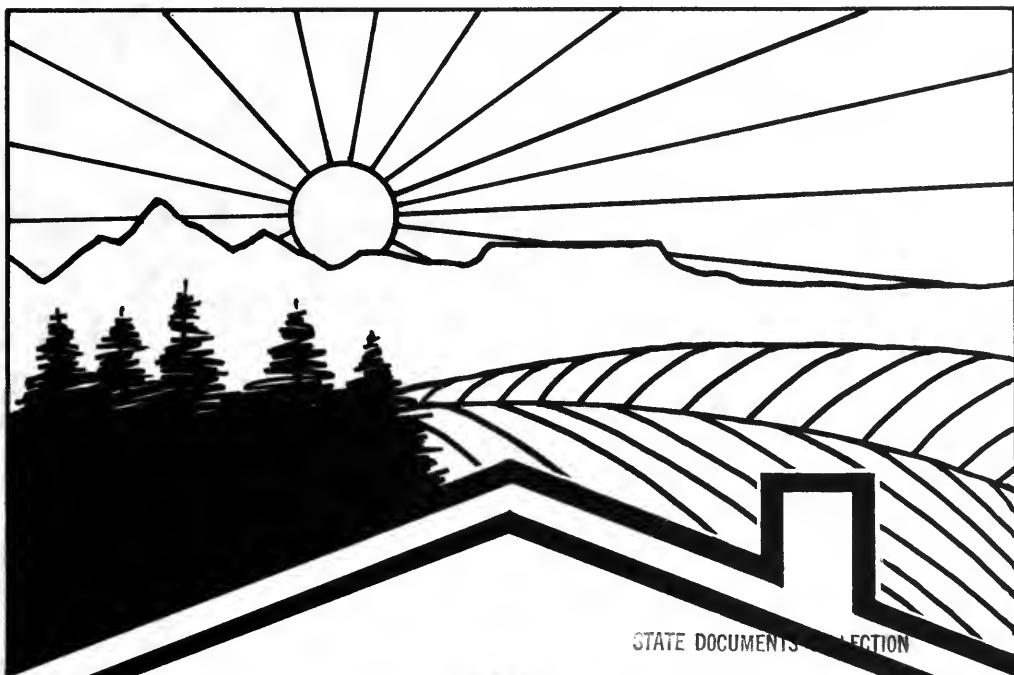


Montana Board of Housing Annual Report

Fiscal Year 2000-2001



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Montana Board of Housing
PO Box 200528
Helena, MT 59620-0528
or by telephoning (406) 444-3040

<http://commerce.state.mt.us/Housing/index.html>

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Chairman and Executive Director's Message

We are pleased to present the Annual Report and Financial Statement of the Montana Board of Housing for Fiscal Year 2000-2001.

The 57th legislature of the State of Montana passed Senate Bill 445 reorganizing the Department of Commerce. This bill essentially structured Commerce as an economic development department. Recognizing the direct and indirect impact of housing on the economic well being of Montana, the Board and other housing programs were kept within Commerce. Please refer to the Economic Benefits section of this report to see the vast effect of housing on the economy of Montana.

The Board is a major part of the New Department of Commerce and continues to meet the mission of providing decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana. This can be seen by the activity in the programs the Board offers.

The Single Family Programs provided affordable mortgages to over 1,521 households in Montana. This included \$78 million in loans done through our regular program as well as \$27 million in loans done through our recycled programs offering assistance to households, on average, earning less than \$20,000 per year. The Multifamily Programs provided over 280 units of rental housing through the Low Income Housing Tax Credits and Bond Loan Programs. This included the allocation of \$2,235,257 in low income tax credits generating approximately \$16,317,376 in equity for affordable rental units.

Monthly meetings and informational sessions were held in Billings, Malta, Glasgow and Missoula to provide outreach to communities interested in participating in the Board's programs. We will continue this tradition to help better understand the needs of each different community.

Bob Savage, Vice Chairman of the Montana Board of Housing, served as the President of the National Conference of State Housing Boards, demonstrating the Board's commitment to housing on a national level. Several Board members attended the National Council of State Housing Agencies annual Legislative Conference in Washington DC. Board members were able to meet with our Congressmen to discuss the importance to Montana of national housing issues.

We want to extend our enormous thanks and gratitude to the bankers, Realtors and other partners who deliver our programs to the citizens of Montana as well as to the Board staff and Board members. Without their commitment and drive the realization of a decent affordable home would not be a reality for 1,521 Montanans and the infusion of \$127,928,574 into Montana's economy would not have been realized.

Sincerely,



Bob Thomas
Chairman



Bruce Brensdal
Executive Director



In surveys conducted by communities throughout Montana – from Cut Bank to Savage to Jefferson County – it is very apparent that housing is a top priority with our citizens. They are calling for more options and more safe, decent, affordable housing. While our Housing Division and you as one of their partners have made significant and important gains in both of these areas, much more remains to be done. I know all of us are up to the challenge and the opportunity.

The Department of Commerce estimates that to meet the housing requirements of Montana's growing population, some 14,000 additional affordable housing units need to come on-line. All of us have a role, whether large or small, in helping to narrow the gap between availability and demand. Being successful is crucial to our communities and the quality of life of our citizens. It is, however, equally important to our common effort to improve our economic vitality and create job opportunities for Montanans.

The economic benefits of housing in terms of such benchmarks as jobs, income, income tax revenues and property tax receipts are undisputed and substantial. However, another important point of reference is the fundamental role affordable housing plays when it comes to economic development. As one of the top ranking criteria used by businesses when looking at expansion and relocation, it helps them place a value on a community's desirability and make a judgment on its quality of life. I am sure that it will be no surprise to anyone that realizing to the fullest extent possible the objectives of our housing division is key to our economic development goals.

Regardless of income, home ownership is part of the 'American Dream.' Several years ago the Board of Housing, for example, wrote one in every ten home loans that originated in Montana. Today, it is one in every four, reflecting the changing role and growing significance of your work. It also shows your effectiveness in making a dream a reality for lower income families through the recycled program as well as for moderate-income families.

As the new Director of the Department of Commerce, I am delighted to have the opportunity to work with you and the many public and private sector people, financial institutions and for-profit and non-profit organizations striving to make safe, decent and affordable housing the only option in Montana. Together we can continue to keep Montana as one of the states with the highest rate of home ownership, well over 70%. Here the 'American Dream' is alive, well and do-able.

Sincerely,

A handwritten signature in dark ink, reading "Mark Simonich". The signature is fluid and cursive, with the first name "Mark" written in a larger, more prominent script than the last name "Simonich".

Mark Simonich
Director
Montana Department of Commerce

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INTRODUCTION

The Montana Board of Housing was created by the Montana Housing Act of 1975. The Board is an agency of the State and operates within the Department of Commerce for administrative purposes.

Under the Housing Act the Board does not receive appropriations from the State's general fund and is completely self-supporting. Substantially all of the funds for Montana Board of Housing operations and programs are provided by the private sector through the sale of tax-exempt bonds.

Montana Board of Housing's public purpose is to provide decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana. Montana Board of Housing accomplishes this purpose by issuing tax-exempt bonds, administering federal housing programs and working in partnership with many other housing providers throughout Montana.

**MONTANA BOARD OF HOUSING
P.O. Box 200528
HELENA, MONTANA 59620-0528

(406) 444-3040**

THE BOARD

The powers of the Board are vested in a seven member Board, appointed by the Governor, subject to the confirmation of the State Senate. The majority of the board members' terms coincide with the four-year term of the Governor; the remaining board members serve four-year terms which expire in the middle of the Governor's term. The Chairman of the Board is appointed by the Governor and other officers of the Board are elected by the board members. Each Board member serves until a successor is appointed and confirmed by the State Senate.

The Board provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates Montana Board of Housing Programs. The commitment of time and energy by Board members has resulted in an improved quality of life for thousands of Montana citizens. Their leadership is vital to the Montana Board of Housing's ability to meet Montana's housing needs.

In fiscal year 2000-2001 the Board provided over \$107 million in single family mortgage financing, helping 1,500 families obtain the dream of home ownership. The Board also allocated \$2.2 million in Low Income Housing Tax Credits for 280 units of rental housing.

THE BOARD OF HOUSING IS COMING TO SEE YOU

The Board frequently conducts its regular business meetings away from Helena. In addition, the Board invites local officials, legislators, housing advocates, developers, Realtors, and lenders, for a public information session. These meetings are intended to provide information to the public on the Board and its programs, as well as hear comments from the public about the Board and its programs. The Board has been to Billings, Glasgow, Malta and Missoula in the last year, with many stops in between.

The Board also visits the sites of homes financed through its single family programs, and rental projects financed through the Low Income Housing Tax Credit and multifamily lending programs. These site visits give the Board a chance to see the housing and talk with people regarding the housing development.

Montana Board of Housing Staff

Board Members

Staff

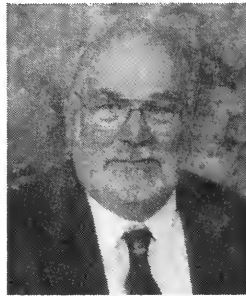
Legal & Professional Services



Bob Thomas



Bob Savage



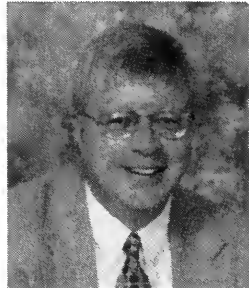
William Oser



Waneeta Farris



Teresa Lightbody



Tom Welch



Stephen Redinger



Bruce Brensda
Executive Director

BOARD MEMBERS

Bob Thomas, Chairman is a retired insurance agency owner from Stevensville, Montana and a graduate of the University of Montana. Bob has served on the Board since 1991, and has been Chairman since 1993. Bob works tirelessly for the new Childhood Language Disorder Clinic at the University of Montana, sponsored by the Scottish Rite Fraternity.

Robert Savage, Vice Chairman has a Bachelor of Arts degree and a Doctor of Jurisprudence degree from the University of Montana. Bob is an attorney with the Savage Law Firm in Sidney, Montana. Bob has served on the Board since 1993, and was also a director and President of the National Conference of State Housing Boards, Washington, D.C.

William Oser, Secretary, C.L.U. has lived in Montana and Wyoming most of his life, working for the Bureau of Reclamation and Shell Oil before going in to the insurance business in 1960, from which he retired in 1992. Bill is actively involved in the business community in Billings, Montana. Bill has served on the Board since 1993.

Waneeta Farris is Branch Manager of Wells Fargo Bank in Forsyth, Montana. She has been with the bank since it opened in 1983. Waneeta has served on the board since 1995.

Teresa Lightbody has been a Realtor since 1979 and is a Realtor for Big Sky Brokers Real Estate. Her husband Jay is employed by the Department of Fish, Wildlife and Parks. They have two sons at the University of Montana. Teresa was appointed to the Board in 1999.

Tom Welch is the Chief Executive Officer and President of Pioneer Federal Savings and Loan in Dillon, Montana. He is a Montana native who is a graduate of the University of Montana and is active in a wide variety of local community activities and organizations. Tom has served on the board since March 1997.

Steve Redinger owner, president and CEO of Intermountain Mortgage Co., Inc., brings extensive knowledge of statewide housing issues to the Board. Intermountain is headquartered in Billings but has branches in Big Timber, Bozeman, Missoula and Kalispell. He is also active in a variety of community organizations. Steve has served on the Board since March, 2001.

MONTANA BOARD OF HOUSING STAFF

EXECUTIVE:



Left to right: Justin Schedel, Karen Tyler, Diana Hall, Bruce Brensdal.

MULTIFAMILY PROGRAM:



Left to right: Connie Boyer, Mathew Rude, Mary Bair

ACCOUNTING:



Front —left to right: Kelly Rusoff, Tammy Hjelseth, Vikki Gredyk; Back Row—left: Christine Bullman, Vicki Bauer, Debbie Phillips, Scott Hoversland.

SINGLE FAMILY PROGRAM:



Jeannene Maas, Greg Bryan, Lance Sekora, Charles Brown, Bob Morgan.

BOARD GENERAL COUNSEL:

Luxan and Murfitt — Helena, MT

INDEPENDENT AUDITOR:

Legislative Audit Division — Helena, MT

BOARD BOND COUNSEL:

Kutak Rock — Omaha, NE

INVESTMENT BANKING TEAM:

Paine Webber Inc. — San Francisco, CA
D. A. Davidson and Co. — Great Falls, MT
Dain Rauscher, Inc. — Minneapolis, MN
Merrill Lynch & Co. — New York, NY
U.S. Bancorp Piper Jaffray Inc — Minneapolis, MN

TRUSTEES:

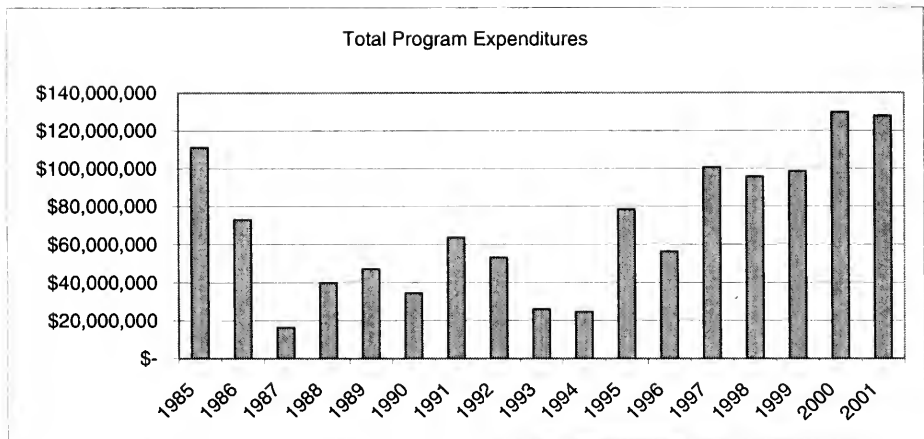
U.S. Bank
Wells Fargo Bank

ECONOMIC BENEFITS OF BOARD OF HOUSING PROGRAMS

In October of 2000, the Department of Commerce published a study "Economic Benefits of MDOC Housing and Infrastructure Program Activities", prepared by Western Economic Services. The study provides information on the economic benefits for each of the housing programs in the Department, including the Montana Board of Housing (MBOH). Estimating the year 2001, MBOH programs have provided an input into the economy (through the sale of bonds and the issuance of Low Income Housing Tax Credits) during federal plan year 2000 and 2001, of over \$257 million. This has resulted in the following:

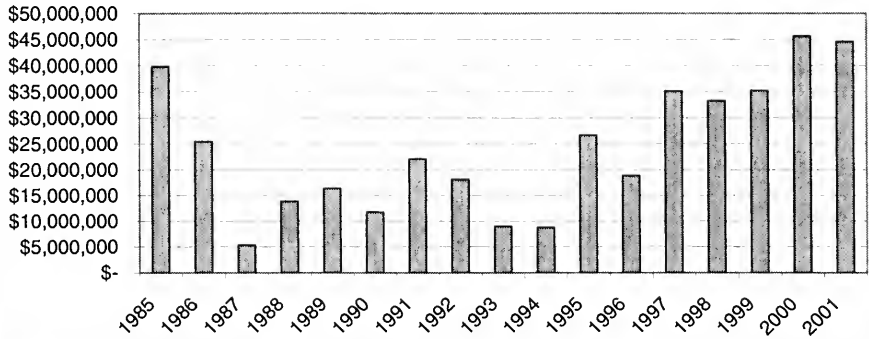
- \$90,281,656 of basic and non-basic income generated. As program funds are spent, a portion of these funds become earnings for the "basic" workers; workers spending the basic income causes a predictable amount of non-basic employment and income. These two spending categories total the income generated from the program.
- 3,800 jobs created.
- \$2,410,530 paid in income taxes by workers because of MBOH housing programs (i.e., construction trades, banking, realty).
- \$39,349,810 in property taxes paid by property owners for housing built and purchased with the Board's programs.

For more detailed information on this study, please contact the MBOH at 444-3040 for a copy of the complete study.

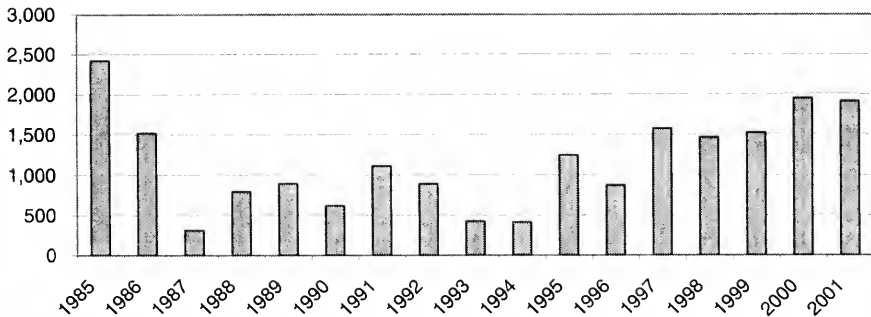


Economic Benefits

Basic and Non-Basic Income Generated

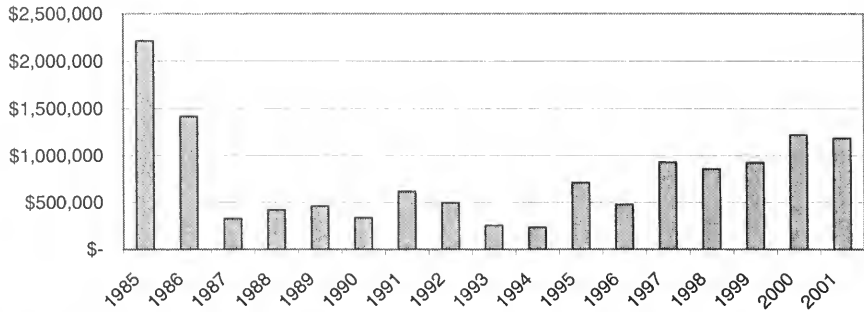


Jobs Created

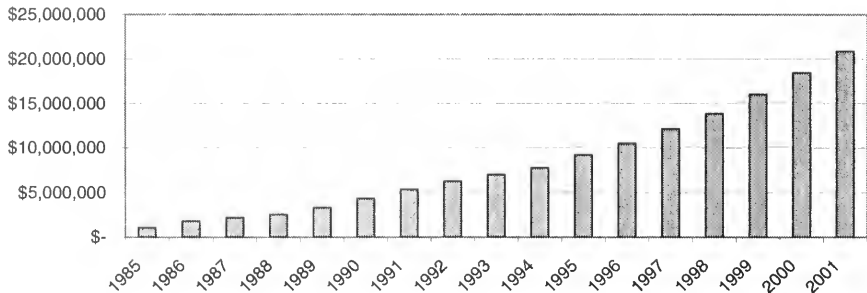


Economic Benefits

State Income Taxes Generated



State Property Taxes Generated

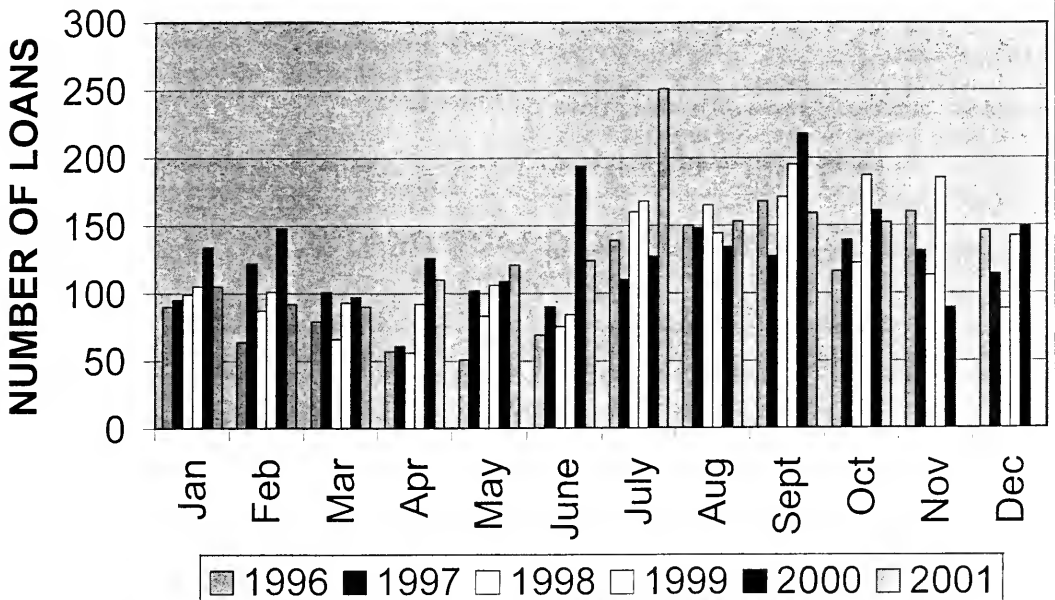


Single Family Programs

MBOH has continuous funding.
Home buyers can purchase a home any time of the year.

SINGLE FAMILY MORTGAGE PROGRAM RECYCLED SINGLE FAMILY MORTGAGE PROGRAM

LOAN PURCHASE COMPARISON



SINGLE FAMILY PROGRAMS

The Board, during the course of Fiscal Year 2001, offered the Single Family Mortgage Program, the Recycled Single Family Mortgage Program, and the Disabled Accessible Affordable Housing Program (DAAHP). Over the past 20 years the Board has helped over 30,000 individuals and families become homeowners.

This year the MBOH Single Family Programs purchased 1,521 loans.

SINGLE FAMILY MORTGAGE PROGRAM

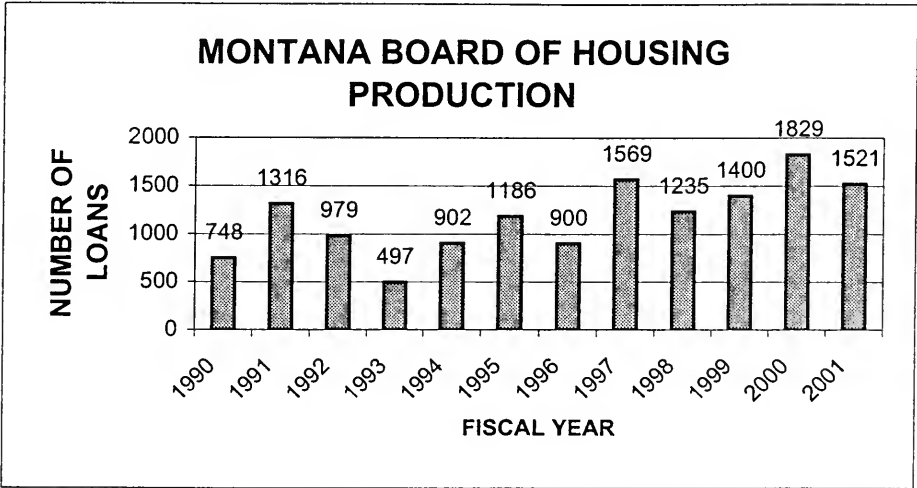
The home financing program is exclusively supported from the sale of tax-exempt Mortgage Revenue Bonds issued periodically by the Board. The tax-exempt status allows the agency to pass along the interest savings to lower income persons and families in the form of low-interest home loans.

Mortgage loan applications are originated and processed in compliance with Federal Housing Administration (FHA), Veterans Affairs (VA) or the Rural Development (RD) Guaranteed Rural Housing Loan Program underwriting criteria by Board-approved Montana real estate lenders. The person or family reserves mortgage funds through an approved lender on a first-come first-serve basis with the Board.

The FHA insured, VA guaranteed or RD guaranteed mortgage is generally made for a term of 30 years. The mortgage interest rate is determined by the price the Board must pay to investors on the tax-exempt bonds. Each person or family, in addition to qualifying under the FHA, VA or RD requirements, must also meet certain program loan requirements and Federal Eligibility Requirements. Generally, the requirements for each person or family are as follows:

- the home is to be owner-occupied with limited business use of the property;
- the purchaser is to be a first-time home buyer except for certain targeted areas;
- the purchase price of an existing home may not exceed the FHA maximum mortgage limit for the area;
- family income may not exceed income limitations as established by the Board;
- the refinancing of an existing home loan is not permitted.
- The acquisition cost of a new home (lot, well, septic, construction cost) cannot exceed 135% of the FHA maximum mortgage limit for the area. The loan amount cannot exceed the FHA maximum mortgage limit for the area.

During the Fiscal Year ended June 30, 2001 the Board originated approximately \$105 million in mortgages, assisting 1,521 Montanans with home ownership. 981 of the mortgages were made with new bond funds, and 540 with recycled funds.



RECYCLED SINGLE FAMILY MORTGAGE PROGRAM

The Board has made additional mortgage funds available through the recycling of mortgage prepayments and other funds held under prior bond issues of the Single Family Mortgage Program. The Board's goal with the recycled funds is to assist those lower income persons and families which do not have the financial capabilities to purchase a safe and sanitary home through other Single Family Programs. Applications for recycled fund set asides are submitted through the Board's "Request for Proposal" process, on a monthly basis.

CITY OF BILLINGS AFFORDABLE FIRST-TIME HOME BUYERS PROGRAM

The Board set aside \$14,000,000 in recycled mortgage funds to provide the permanent financing for first-time home buyers in the city of Billings whose incomes do not exceed 60% of the median and for one reason or another do not qualify for traditional financing without assistance. The City of Billings will provide assistance for down payment, closing cost, mortgage buy down, and minor home repairs for low income individuals who are currently unable to become homeowners. The City of Billings funds are provided through the Federal HOME Program under which the City is an entitlement community. This program has provided financing for 243 home buyers, whose average income was \$20,518, with an average permanent loan amount of \$58,150 in fiscal year 2001. The Board set aside an additional \$3,000,000 for this program for fiscal year 2002.

BUTTE-SILVER BOW TULLAMORE PROJECT

The Board set aside \$1,784,878 in recycled mortgage funds, to provide the permanent financing for 24 single family homes in the Tullamore Project for low income individuals in Butte who can not qualify for a mortgage loan without assistance. The City of Butte has provided \$130,142 in cash, 8 acres of land in the Centerville area in downtown Butte for the project, and will provide \$67,200 in tax abatement to the home buyers. The City has been awarded a \$540,000 grant from the HOME Program to finance the infrastructure and provide down payment, closing cost, and mortgage buy down assistance. They have also received a \$120,000 grant from the Federal Home Loan Bank to provide additional assistance in order to target low and very low income individuals for the project. Home buyer income has averaged \$26,732 with an average permanent loan amount of \$76,760.

CITY OF KALISPELL AFFORDABLE FIRST-TIME HOME BUYERS PROGRAM

The Board set aside \$1,628,000 in recycled mortgage funds to provide the permanent financing of 24 three and four-bedroom units in the City of Kalispell's South Woodland Avenue Project and \$1,058,000 in recycled mortgage funds to provide the permanent financing of 20 two-bedroom units in the City of Kalispell's South Meadows Project for low income first-time home buyers in the city of Kalispell. The City of Kalispell has been awarded \$800,000 from HOME and CDBG to develop the seven acre city-owned South Woodland Avenue site. The City will use \$200,000 in UDAG program income to finance the infrastructure on the South Meadows site. Additionally, the City will use a \$198,000 Federal Home Loan Bank grant to provide down payment and closing cost assistance to the home buyers. Infrastructure has been completed on both sites. Thirty-five homes have been completed. Home buyer income has averaged \$21,580 and permanent loans have averaged \$49,384.

DISTRICT IX HUMAN RESOURCE COUNCIL'S LIVINGSTON LAND TRUST PROJECT

The Board set aside \$1,447,630 in recycled mortgage funds, with \$420,000 for the first phase, to provide the permanent financing of 22 single family townhouses for low income residents on a lease purchase arrangement with the District IX Human Resource Council. The City of Livingston has donated 17 acres of land for the project. The District IX Human Resource Council has been awarded \$400,000 from CDBG to finance part of the infrastructure for the project. They have been awarded \$432,000 from the HOME Program for partial funding of the infrastructure and to provide down payment, closing cost, and mortgage buy down assistance. They have also been successful in obtaining a low interest construction loan from the Local Initiatives Support Corporation (LISC) for \$300,000. Infrastructure has been completed. During the fiscal year, eight homes were completed and closed, two of which were in conjunction with Habitat for Humanity. Two additional homes are near completion. The homebuyers have completed first-time homebuyer classes and have scheduled closings. The hombuyers income averaged \$23,088 and the purchase price of the homes averaged \$66,077.

GLACIER

AFFORDABLE HOUSING FOUNDATION

The Board set aside \$5,950,000 in recycled mortgage funds to provide the permanent financing for 100 single family homes in Flathead, Glacier, Lake, Lincoln, Sanders and Yellowstone Counties for low and very low income individuals. The Foundation has been successful in obtaining a grant from the Federal Home Loan Bank for \$610,000 and grants from the HOME program totaling \$896,517 to provide down payment, closing cost, and mortgage buy down assistance. The Foundation also received CDBG grants totaling \$400,000 to provide additional assistance to low and very low income individuals.

This program has provided financing for 97 home buyers, whose average income was \$19,085, with an average permanent loan amount of \$49,972.

HUD SECTION 184

INDIAN HOUSING PROGRAM

The Board set aside \$1,000,000 in recycled mortgage funds to provide the permanent financing for single family homes located on trust land on an Indian Reservation that are guaranteed by HUD through Section 184 for Native Americans. The Board worked with local banks, Tribal representatives, Bond Counsel, and State and Regional HUD officials to get special consideration and guarantees from the Secretary of HUD in Washington D.C. to enable the Board to participate in this program. The Board has purchased seven loans where two of the residences are located on the Blackfeet reservation, four on the Flathead reservation, and one on the Northern Cheyenne reservation.

DISABLED ACCESSIBLE AFFORDABLE HOME OWNERSHIP PROGRAM

The Board set aside \$9,050,000 to provide affordable architecturally accessible homes for

people with permanent disabilities and mobility impairments. The Board has financed a total of 135 homes through June of 2001 with \$8,196,530 in recycled mortgage funds. The average household income is \$16,197 with an average loan amount of \$60,750. Loans are distributed among 26 Montana Counties.

NEIGHBORHOOD HOUSING

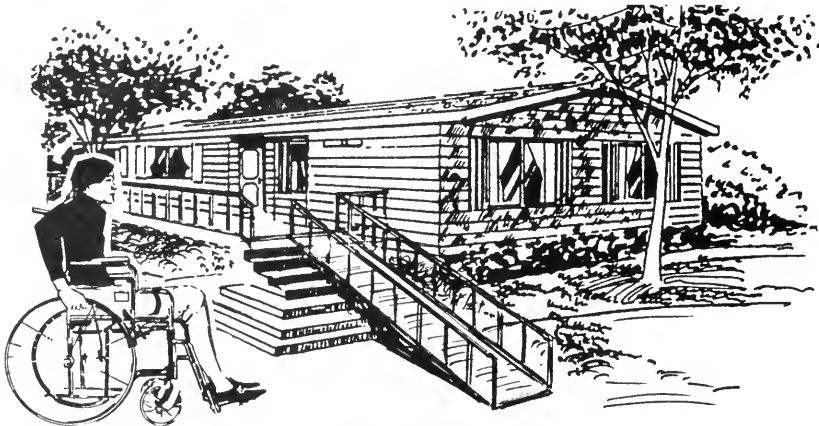
SERVICES, INC. OF GREAT FALLS (NHS)

NHS, a non-profit housing provider, has been in operation since 1980 and has had a major impact in revitalizing two neighborhoods in Great Falls and 51 other counties. The Board began work with NHS in 1986, to offer affordable home ownership opportunities to lower income individuals and families in conjunction with NHS's neighborhood revitalization.

The Board has provided \$31,279,050 in permanent mortgages to date, and has committed an additional \$869,760 of recycled mortgage funds, since 1986, for eleven separate low income home ownership programs sponsored by NHS. As of June 30, 2001, through the excellent partnership with NHS, over 639 individuals and families have achieved affordable home ownership, **with 195 of those becoming homeowners in Fiscal Year 2001.**

RAVALLI COUNTY

The Board set aside \$1,950,000 at 6% interest in recycled mortgage funds for the Permanent Financing of 30 homes for low and very low income homebuyers in Ravalli County. The County will use \$432,000 HOME Program Grant for down payment, closing cost, and mortgage buy-down. To date the Board has financed 23 families whose income average is \$20,969 with a purchase price average of \$87,182.



NHS MT HOME OWNERSHIP NETWORK

The Montana Home Ownership Network is a partnership of Montana non-profit and private corporations, government officials, and residents of Montana communities which provide home ownership opportunities in order to stabilize Montana communities and assist people who would otherwise be unable to achieve the American dream of home ownership. The board has set aside \$12 million for this program and has financed 124 families with very low income.

RURAL HOUSING LOAN LEVERAGING PROGRAM

The Board initially set aside \$659,200 of recycled funds at 6.0% interest for a proposal from Rural Development (RD) to leverage \$659,200 from RD with interest rates that range from 1.0% for borrowers whose income does not exceed 50% of the area median income, to 2.0% for borrowers whose income does not exceed 55% of the area median income, and to 3.0% for borrowers whose income does not exceed 60% of the area median income. In this program MBOH will purchase a first mortgage, (30 year, FHA insured, 6.0% rate) for half of the loan. RD will make a loan secured by a second mortgage at a 1.0%, 2.0%, or 3.0% rate for the other half of the loan. This program has provided financing for 468 home buyers, whose average income was \$20,735, with an average permanent loan amount of \$78,133. A total of \$14,075,100 has been provided for permanent mortgages.

Due to the success of the program and the request of rural development, the board expanded the program to include families whose income does not exceed 80% of the area median. The MBOH loan amount ranges from 10% to 50% keeping the monthly payment rate between 27% to 29% of income.

HABITAT FOR HUMANITY MORTGAGE REINVESTMENT PROGRAM

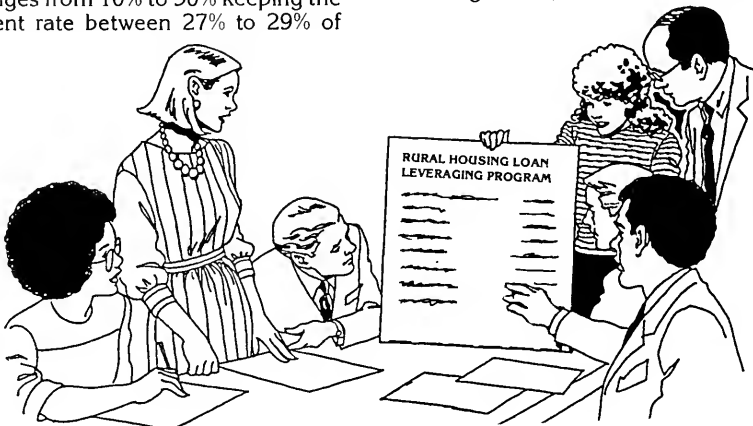
The Board set aside \$1,450,000 for permanent mortgages for Habitat for Humanity Affiliate Member Families. This provides the local Habitat for Humanity Affiliate the ability to recover its construction cost from the home constructed and start construction on an additional home. The program is designed to allow the Habitat for Humanity Affiliates to double their production by each Affiliate building two homes instead of one. As of June 30, 2001 twenty-four homes for \$845,505 have been financed. The average incomes of the Member Families financed by the Program have averaged \$20,291 and the permanent mortgages have averaged \$45,866.

FIRST-TIME HOME BUYER SAVINGS ACCOUNT PROGRAM

The Board established the program in November of 1997 for permanent mortgages for home buyers who have established a qualified savings account for downpayment and closing cost. To date the board has committed financing for 117 home buyers whose incomes have averaged \$28,546 for homes that have an average purchase price of \$82,340.

CITY OF LEWISTOWN FIRST-TIME HOME BUYER PROGRAM

The Board set aside \$1,400,000 for permanent financing of 28 homes for low and very low income home buyers in Lewistown. The City of Lewistown will use \$268,000 from a HOME program grant, \$21,000 from a Federal Home Loan Bank grant for rehab, downpayment, and closing cost. To date the Board has financed 24 families whose income averages \$17,662 for homes whose financing averages \$50,095.

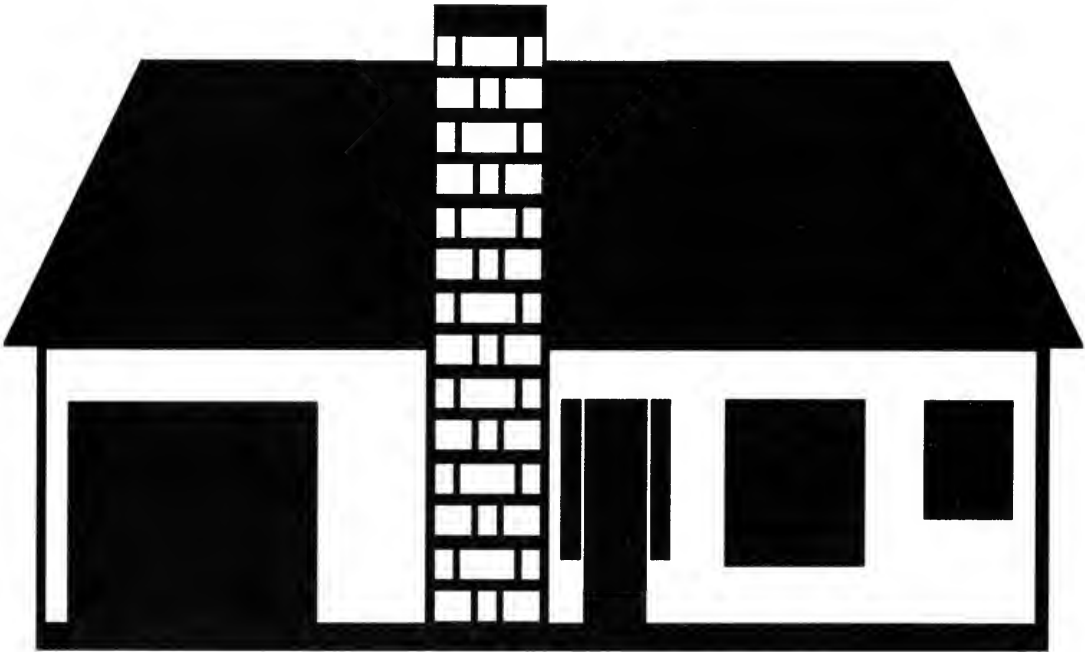


NATIVE AMERICAN HOUSING LOAN GUARANTEE PROGRAM

The Board set aside \$1,000,000 in recycled mortgage funds at 6% interest for the Permanent financing of 20 to 30 homes on the Flathead Reservation. These loans will have the guarantee of the Tribal Housing Authority. These funds will constitute 40% of each financing and will leverage 60% of Rural Development Funds. This is a pilot program for Tribal members in Indian Country to have an avenue to get involved in conventional home financing.

CITY OF RED LODGE

The Board set aside \$700,000 in recycled mortgage funds at 6% interest for permanent financing of 10 homes for low income homebuyers in Red Lodge. The city will use \$294,840 HOME Program Grant for rehab, downpayment, and Closing Costs. To date the Board has financed four families whose income averaged \$20,655 for home whose purchase price average \$70,625.



SINGLE FAMILY MORTGAGE PROGRAM LOANS PURCHASED BY COUNTY

<u>County</u>	<u>Number Of Loans Purchased</u>		<u>Original Loan Amount</u>	
	<u>Cumulative 4/1/77-FY2001</u>	<u>FY2001 Activity</u>	<u>Cumulative 4/1/77-FY2001</u>	<u>FY2001 Activity</u>
Beaverhead	112	6	\$ 5,574,771	\$ 466,587
Big Horn	88	4	3,767,046	166,084
Blaine	106	10	4,461,505	585,852
Broadwater	86	4	4,317,881	330,510
Carbon	109	9	5,406,205	488,789
Carter	1	7	18,000	0
Cascade	4,637	275	96,315,352	20,225,419
Choteau	46	4	1,860,796	185,496
Custer	577	22	21,563,655	1,038,148
Daniels	7	3	200,680	95,178
Dawson	358	18	13,735,243	630,348
Deer Lodge	204	8	8,061,085	452,225
Fallon	44	2	1,738,089	69,441
Fergus	199	14	7,905,300	784,541
Flathead	2,532	145	147,805,099	10,318,327
Gallatin	1,031	63	59,545,950	5,569,125
Garfield	4	1	116,899	36,349
Glacier	132	10	5,812,857	458,454
Golden Valley	6	0	255,671	0
Granite	12	3	416,154	115,103
Hill	807	57	39,347,113	3,162,335
Jefferson	136	6	7,134,696	343,817
Judith Basin	12	2	466,633	76,799
Lake	455	32	24,199,769	2,303,214
Lewis and Clark	1,884	77	102,172,599	5,646,056
Liberty	10	1	375,839	45,128
Lincoln	287	16	13,061,045	930,633
McCone	21	1	837,033	46,447
Madison	60	2	2,931,147	153,540
Meagher	46	0	1,798,355	0
Mineral	84	7	3,849,380	461,939
Missoula	3,406	119	198,768,089	10,325,757
Musselshell	34	1	1,470,972	44,973
Park	275	16	12,255,366	1,091,089
Petroleum	1	0	19,550	0
Phillips	44	2	1,878,559	92,653
Pondera	125	6	4,920,898	151,775
Powder River	6	1	245,375	66,400
Powell	108	6	4,899,592	374,724
Prairie	9	2	376,624	106,688
Ravalli	437	66	24,101,305	4,311,927
Richland	430	20	17,994,110	876,180
Roosevelt	127	4	5,086,870	144,392
Rosebud	74	2	3,500,752	108,417
Sanders	67	11	3,474,581	653,151
Sheridan	33	2	1,213,203	58,854
Silver Bow	875	54	36,430,847	2,990,062
Stillwater	91	11	4,927,859	830,865
Sweetgrass	38	5	2,087,404	253,311
Teton	79	12	3,773,025	686,771
Toole	95	5	3,654,865	207,493
Treasure	1	0	65,620	0
Valley	156	6	6,172,457	251,994
Wheatland	14	2	492,356	87,156
Wibaux	6	1	188,803	27,920
Yellowstone	6,851	383	381,394,028	27,065,151
STATE TOTAL	27,476	1,521	\$1,457,628,532	\$104,906,838

Multifamily Loan Programs

Assistance in the development and retention of multifamily units for lower income Montanans has been accomplished through several multifamily loan programs.

Multifamily Bond Program
Pilot Program for Multifamily Rental Housing
Risk Sharing Program for Multifamily Housing
G.O. Program for Multifamily Rental
Special Program Funds
Low Income Housing Tax Credit Program



MULTIFAMILY BOND PROGRAM

The Board has issued several series of bonds to finance specific projects. In addition to financing projects from bond proceeds the Board has used funds within the indenture to finance projects. The following sections illustrate these programs.

PROJECTS FINANCED UNDER SECTION 8 "NEW CONSTRUCTION" PROGRAM AND OTHER HUD PROGRAMS

<u>Series and Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Principal Amount</u>	<u>Construc- tion Loan Rate</u>	<u>Permanent Mortgage Loan Rate</u>
<u>1978 Series A:</u>					
Clark Fork Manor	Missoula	<u>134</u>	\$ 4,628,000	8.0%	7.0%
<u>1979 Series A (1992 Series A):</u>					
Crestwood Inn	Sidney	72	2,188,500	9.0%	7.5%
Silver Bow Village	Butte	60	1,925,000	8.5%	7.5%
Broadview Manor	Great Falls	20	713,200	8.5%	7.5%
Oakwood Village	Havre	60	1,793,600	8.5%	7.5%
The Elmwoods	Great Falls	<u>18</u>	<u>576,900</u>	8.5%	7.5%
		<u>230</u>	<u>7,197,200</u>		
<u>1982 Series A (1992 Series A):</u>					
Grand View Place	Missoula	<u>48</u>	<u>1,695,200</u>	12.0%	12.0%
<u>Other:</u>					
Miles Building - Bid	Livingston	<u>40</u>	<u>1,081,885</u>	14.5%	NA
		<u>40</u>	<u>1,081,885</u>		
<u>1980 Series A Construction Loan Notes:</u>					
Cedar View	Malta	32	1,269,900	11.0%	NA
Chair III	Whitefish	16	618,400	11.0%	NA
El Dorita Village	Kalispell	36	1,092,000	11.0%	NA
Rose Park Plaza	Billings	<u>112</u>	<u>3,222,100</u>	11.0%	NA
		<u>196</u>	<u>6,202,400</u>		
		<u>648</u>	<u>\$20,804,685</u>		

PILOT PROGRAM FOR MULTIFAMILY RENTAL HOUSING

In February of 1993, the Board introduced its Pilot Program for Rental Housing by seeking proposals from governmental units, non-profits attached to governmental units and private non-profits to develop multifamily rental housing. These projects were funded with monies in the Multifamily Trust Indenture.

Since its inception the Board has loans through the Multifamily Pilot Program for Rental Housing to non-profit and governmental sponsors for the following projects:

<u>Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Principal Amount</u>	<u>Permanent Mortgage Loan Rate</u>
<u>LOANS CLOSED</u>				
Minnesota - pd.	Missoula	2	\$ 42,000	6%
Strand	Missoula	2	\$ 64,000	6%
Ronan Duplex	Ronan	2	\$ 86,963	6%
Ronan 4-Plex	Ronan	4	\$ 121,933	6%
Courtyard	Kalispell	16	\$ 271,000	6%
Bozeman Interfaith	Bozeman	9	\$ 227,557	6%
Holland Park	Great Falls	16	\$ 266,000	6%
Spring Garden	Billings	<u>8</u>	<u>\$ 121,000</u>	6%
		<u>59</u>	<u>\$ 1,200,453</u>	

RISK SHARING PROGRAM FOR MULTIFAMILY HOUSING

On June 13, 1994 the Board received final approval from the Department of Housing and Urban Development (HUD) to participate in the Risk Sharing Program. The Risk Sharing Program works in partnership with HUD, whereby HUD provides mortgage loan insurance and the Board provides mortgage underwriting and loan management as well as financing, and the two entities share the risk of loss from a project default. Some of these loans are funded with bond proceeds, and some are funded with monies in the Indenture. Currently the Board has the following projects:

<u>Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Mortgage</u>	<u>Rate</u>
<u>CLOSED LOANS</u>				
West Babcock	Bozeman	24	\$ 830,000	7.25%
Phillips Apts.	Missoula	8	\$ 269,000	6.00%
The Miles Building	Livingston	40	\$ 550,000	6.00%
Big Sky Manor	Kalispell	60	\$ 797,436	9.75% Taxable
Columbia Villa	Columbia Falls	36	\$ 781,635	4.59%
Darlington Manor	Bozeman	100	\$ 2,406,305	4.59%
La Vatta Villa	Deer Lodge	24	\$ 437,147	4.59%
Parkside Village	Missoula	104	\$ 3,233,511	4.59%
Valley View	Kalispell	52	\$ 1,141,402	4.59%
Green Meadow Manor	Libby	34	\$ 402,564	9.75 Taxable
		482	\$ 10,849,000	

(all Risk sharing loans also have a .5% MIP payment in addition to mortgage rate)

G.O. PROGRAM FOR MULTIFAMILY RENTAL HOUSING

The Board's General Obligation (G.O.) Program for Multifamily Rental Housing provides mortgage financing to owners of qualifying housing when the owner agrees to restrict the rents to a specific amount, and to rent only to tenants below a maximum income level (generally 50 or 60% of median income). Currently this program is financing the permanent loans for small projects which receive multiple sources of funding through other programs, where rents on the project are affordable to very low income state residents. This program is being funded through the Board's first ever G.O. bond issue in 1998. The G.O. rating of A2 allows the Board to issue bonds to finance projects which rating agencies would not rate highly on a stand-alone basis. The G.O. rating allows the Board to use its financial and management strength to leverage projects that would otherwise be impossible to finance. Currently the Board has the following projects:

<u>Project:</u>	<u>Location</u>	<u>Units</u>	<u>Original Mortgage</u>	<u>Rate</u>
<u>G.O. PROGRAM FOR MULTIFAMILY RENTAL HOUSING:</u>				
<u>CLOSED LOANS</u>				
Meadowlark Townhomes	Chester	6	\$236,000	6.00%
Whitefish Apartments	Whitefish	4	\$138,037	6.00%
The Bridge Apartments	Missoula	20	\$250,000	0.00%
				<i>(rate bought down from 6%)</i>
Pond Row	Bozeman	20	\$567,500	7.00%
Cottages at Edna Court	Superior	8	\$128,000	6.5%
Parkside Apartments	Hamilton	24	\$225,000	5.50%
				<i>(rate bought down from 6%)</i>
		82	\$1,544,537	

Special Program Funds

Periodically the Board receives funding requests for projects which do not fit in to any of the categories for funding with bond proceeds. The Board has a commitment to funding projects with specific targeting to housing needs the Board might miss through its established programs. As these special project needs are identified, the Board determines whether funds are available within any of the indentures, and provides mortgage funding. Typically the Board's loan is significantly less than 50 percent of the total cost of the project.

SPECIAL PROGRAM FUNDS

CLOSED LOANS

		<u>units</u>		
Samaritan House	Kalispell	80	\$ 85,000	6.00%
Safe House	Hamilton	10	\$102,323	6.00%
		90	\$187,323	

PURPOSE OF LOAN

First Mortgage on Homeless Shelter &
Transitional Housing

Battered Women's Shelter &
Transitional Housing

LOW INCOME HOUSING TAX CREDIT PROGRAM

The Low Income Housing Tax Credit (LIHTC), established by Congress in the Tax Reform Act of 1986, is intended to provide for the retention, rehabilitation and construction of low income rental housing. Through the tax credit, developers and owners of qualified housing receive an annual federal tax credit for 10 years, based on the number of housing units provided to low income individuals and families.

In Fiscal Year 2000-2001, the Board allocated \$2,235,257 in tax credits to assist in the development of thirteen projects containing 275 low income housing units with total projected development costs of \$24,723,142. Since the inception of the program in November, 1987, the tax credit has been utilized in the rehabilitation and production of 3,651 low income housing units in 132 separate projects with total construction costs of \$205,619,886. This comprises over 50% of multifamily rental housing development in the state.

Low Income Housing Tax Credit Program Allocations by City

1987 through June 30, 2001

<u>City</u>	<u>Number of Developments</u>	<u>Number of LIHTC Units</u>	<u>LIHTC Allocated</u>	<u>Total Development Costs*</u>
Absorakee	1	32	\$ 15,134	\$ 755,867
Belgrade	4	84	322,250	4,279,966
Big Fork	1	32	46,963	1,488,538
Big Sky	2	48	205,749	2,559,787
Big Timber	1	24	36,186	1,149,013
Billings	13	497	2,152,688	25,350,923
Bozeman	8	334	1,686,021	20,117,626
Browning	1	20	275,000	2,531,627
Butte	2	68	375,712	5,054,364
Chester	1	6	3,030	275,296
Chinook	1	12	7,156	201,224
Columbia Falls	3	68	109,434	3,515,028
Corvallis	1	24	216,969	2,170,405
Cut Bank	1	19	31,659	1,034,474
Deer Lodge	2	48	42,673	1,404,865
Elmo	1	10	64,000	455,136
Fort Benton	1	10	13,938	355,562
Forsyth	2	36	54,228	1,724,391
Fort Belknap	1	11	52,800	834,415
Glasgow	1	6	9,780	298,101
Great Falls	6	294	1,083,018	18,109,015
Hamilton	3	82	296,806	4,467,233
Hardin	2	40	77,324	1,937,806
Havre	7	30	32,660	873,588
Hays	1	11	52,800	834,415
Helena	4	112	610,588	6,841,235
Hysham	1	12	28,373	765,857
Joliet	1	1	1,409	35,313
Kalispell	10	368	1,268,890	19,960,615
Lame Deer	1	20	230,850	1,999,718
Laurel	2	40	176,757	2,315,324
Libby	1	34	167,502	2,791,239
Livingston	3	82	257,188	4,342,566
Medicine Lake	1	4	3,595	78,576
Miles City	1	32	61,215	2,085,110
Missoula	18	695	2,857,721	41,283,843
Pablo	5	48	388,625	4,328,892
Plains	1	9	11,600	310,923
Polson	2	82	141,854	3,374,116
Redlodge	1	32	178,520	2,135,786
Ronan	4	43	193,317	2,114,463
Scobey	1	11	13,980	612,000
Shelby	1	12	16,960	487,300
St. Ignatius	1	9	11,000	264,260
Stevensville	1	30	37,178	1,044,900
West Yellowstone	1	53	178,193	2,563,215
Whitefish	3	70	246,406	3,836,492
Winnett	1	6	9,626	269,478
Total	132	3,651	\$14,355,325	\$205,619,886

Affordable Housing Revolving Loan Fund

The 1999 Legislature found that current economic conditions, federal housing policies, and declining resources at the federal, state, and local levels adversely affect the ability of low-income and moderate-income persons to obtain safe, decent, and affordable housing. Because of this, the Affordable Housing Revolving Loan Fund was established.

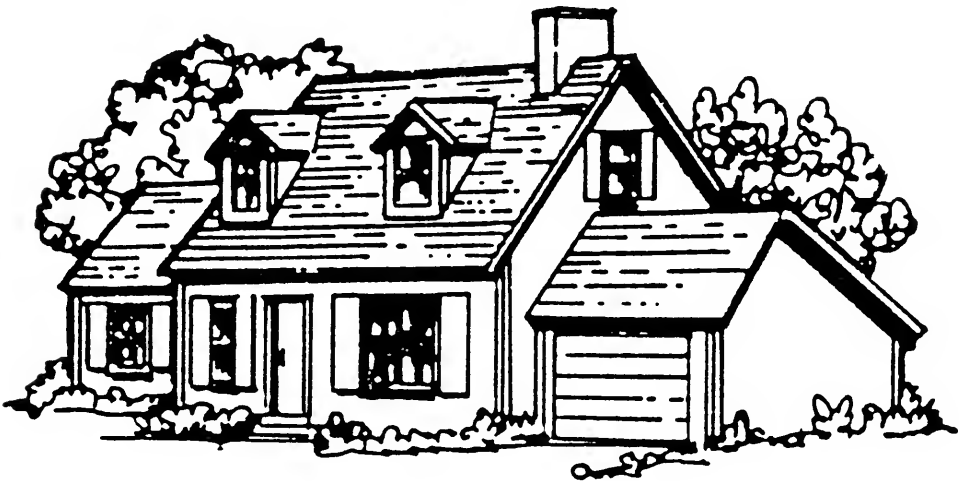
This fund will be used to provide loans to projects providing affordable housing in Montana. These projects will typically need that last small piece of financing to make them feasible. Although the fund was established, there was no funding source established so there are no funds available in the program to do loans at this time.

The Montana Board of Housing did receive a \$1,500,000 grant from the Federal Home Loan Bank of Seattle through its Affordable Housing Program. This grant was specifically earmarked for the Montana Preservation Project. In order to maximize other funding sources the grant was loaned, by the Board, to each project as 50 years deferred mortgages. If a project generates additional income the loans may begin to pay back the money. But if sufficient income is not generated the loans will not be paid for 50 years. The Board has placed these mortgages in the Affordable Housing Revolving Loan Fund. But as previously stated, these loans may or may not begin to be repaid for 50 years. The following is a list of these loans:

PROJECT	LOCATION	AMOUNT
A. Columbia Villa	Columbia Falls	\$ 316,800
B. Darlinton Manor	Bozeman	\$ 55,000
C. LaVatta Villa (Pebblestone Square)	Deer Lodge	\$ 60,000
D. Parkside Village	Missoula	\$ 10,400
E. Valley View (Valley View)	Kalispell	\$ 551,200
F. Big Sky Apts.	Kalispell	\$ 202,368
G. Green Meadow Apts.	Libby	\$ 234,600
H. Parkside Apartments	Hamilton	\$ 69,632
		<u>\$ 1,500,000</u>

The 2001 legislature added three other funding sources to the affordable Housing Revolving Loan Fund. Two sources are \$500,000 from the Section 8 reserve account and approximately \$3.4 million from the Temporary Assistance to Needy Families grant (TANF). These two funding sources are transfers from existing programs. The third source is from direct donations that would qualify for a tax credit. These sources begin July 1, 2001.

Reverse Annuity Mortgage "RAM"



Reverse mortgages allow eligible Montana homeowners to borrow against the equity in their homes. The homeowner is reversing the process of when they bought their home. At that point in their life they had income and wanted equity. Now they have equity and want the income. The homeowner receives monthly payments to increase their cash flow. The loans do not require repayment as long as the homeowner remains in the home.

Montana Board of Housing Reverse Annuity Mortgage Program

PURPOSE: Many senior citizens in Montana own their own homes, and have little or no remaining mortgage debt. Many of these homeowners are persons of lower income who would benefit from an additional income source from the use of equity in their homes. The reverse annuity mortgage loans would enable senior homeowners to provide more substantially for their own in-home support and specialized care.

Mortgage Interest Rate: 5.0%

Age Requirement: All borrowers to be 68 years of age or older. Some exceptions may be considered.

Income Limit: The Borrower's Annual Family Income must not exceed the following:

1 person household	\$17,180
2 person household	23,220
3 person household and up	29,260

Property Eligibility: The home must be located in Montana. The borrowers must be the owner and occupant of a single-family dwelling that is unencumbered by any prior mortgage, lien or pledge. A single-family dwelling means a one-to-four-family living unit, excluding a single-wide mobile home. A single-family dwelling must meet minimum FHA property standards as determined by an FHA appraisal.

Loan Amount: The loan amounts range from a minimum of \$15,000 to a maximum of \$70,000. The maximum loan amount is determined based on 80% of the FHA determined property value.

Payment Terms: The net loan proceeds are advanced monthly to the borrowers based on a ten-year term.

Lump Sum Advances: Lump sum advances are available at loan closing. \$2,500 is available for such items as payment of prior mortgages, liens, pledges or for needed repairs to the home. Some exceptions may be considered. An advance is available for certain loan closing costs. Lump sum advances reduce the amount of the monthly loan advance.

Counseling: Potential borrowers must complete a reverse annuity mortgage counseling program in order to submit an application. The counseling network is provided through the Montana Aging Services Network.

Applications: Applications may be obtained by contacting the Montana Board of Housing, PO Box 200528, Helena, MT 59620-0528, telephone 444-3040, 1-800-761-6264 or the Office on Aging, PO Box 204001, Helena, MT 59620-4001, telephone 1-800-332-2272. The applications may be completed during the required reverse annuity mortgage counseling.

Reverse Annuity Mortgage Current Program Statistics

Community	# of Loans	Household Sizes	Borrower Age	Average Annual Income	Average Loan Amount
Alberton	1	1	77	\$9,232	\$40,000
Ashland	1	1	64	\$ 6,168	\$20,800
Belgrade	3	1,2,1	70 to 84	\$12,810	\$60,000
Big Timber	1	1	80	\$ 9,288	\$47,200
Billings	5	1,2,1,2,1	76 to 86	\$ 8791	\$51,634
Bozeman	2	1,1	77 to 78	\$11,397	\$60,000
Butte	4	1, 2, 2, 1	72 to 80	\$10,620	\$36,100
Circle	1	1	75	\$9,348	\$50,000
Columbus	1	2	79 & 73	\$15,334	\$50,000
Dillon	2	2	78 & 78	\$ 7,056	\$35,520
Great Falls	9	6@1, 3@2	67 to 81	\$ 11,323	\$66,911
Hamilton	2	1,2	65 to 74	\$11,781	\$45,000
Havre	2	1,2	77 to 80	\$14,070	\$34,000
Helena	3	1,2,1	74 to 78	\$13,271	\$55,000
Kalispell	4	2,1,2,1	72 to 84	\$11,031	\$45,750
Laurel	1	2	83 & 84	\$11,039	\$40,240
Libby	1	2	76 & 86	\$14,712	\$50,000
Livingston	3	1,1,2	81 to 85	\$ 9,126	\$63,334
Malta	1	1	71	\$5,280	\$16,800
Manhattan	1	1	71	\$ 8,944	\$50,000
Missoula	3	1,1,1	70 to 84	\$ 7,313	\$34,934
Polson	1	1	81	\$7,696	\$40,000
Reygate	1	1	87	\$8,034	\$44,000
Shelby	1	1	75	\$9,330	\$50,000
Sheridan	1	2	69 to 71	\$14,671	\$70,000
Sidney	2	2,2	67 to 87	\$21,145	\$42,400
Somers	1	1	71	\$5,314	\$25,000
Stevensville	2	1, 1	72 to 75	\$11,473	\$49,400
Townsend	1	1	85	\$10,229	\$32,000
Virginia City	1	2	71 & 69	\$18,101	\$50,000

FY 2000-01

Overall Program

Active Loans
Prepaid Loans
Total Loans

10
2
12

37
24
61

Average Borrower Age
Average Borrower Annual Income
Average Loan Amount

76
\$11,944.00
\$48,808.00

Accounting and Reporting

The Accounting and Reporting function at the Board accounts for approximately 10,600 mortgages totaling in excess of \$604 million. This includes reconciling all mortgages on a monthly basis from reports received from approximately 43 contracted loan servicers. This year the staff also accounted for \$59 million in mortgage prepayments and repayments according to Indenture direction. The accounting staff accounts for principle and interest on bonds payable of approximately \$718 million in 27 bond issues. In addition, the staff processed \$52.6 million in bond calls and maturities in fiscal year 2001. The accounting staff also accounted for investment purchases of approximately \$402 million, and maturities and sales of approximately \$361 million.

APPENDIX A

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

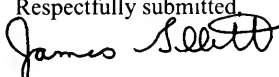
We have audited the accompanying Combining Balance Sheet of the Montana Board of Housing, a component unit of the state of Montana, as of June 30, 2001, and 2000, and the related Combining Statement of Revenues, Expenses/Expenditures and Changes in Retained Earnings/Fund Balance and the Combining Statement of Cash Flows Enterprise Funds for the fiscal years then ended. The information contained in these financial statements is the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montana Board of Housing as of June 30, 2001, and 2000, and the results of its operations and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Single Family Combining Balance Sheet as of June 30, 2001, and the related Single Family Combining Statement of Revenues, Expenses and Changes in Retained Earnings for the fiscal year then ended, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report were not audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA

October 5, 2001

MONTANA BOARD OF HOUSING

FINANCIAL REPORT

JUNE 30, 2001

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING BALANCE SHEET
June 30, 2001 with comparative combined totals for 2000

	Special Revenue	Enterprise				Combined Totals (memorandum only)	
	Affordable Revolving Loan Account	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Housing Trust Fund		2001	2000
ASSETS							
Cash and cash equivalents (Note 2)	\$1,134	\$1,960,418	\$1,078,742	\$1,394,186		\$4,434,480	\$3,022,885
Investments (Note 4)	-	205,923,469	6,912,140	-		212,835,609	170,061,378
Mortgage Loans receivable (Note 5)	1,500,000	578,863,528	22,721,566	990,334		604,075,428	548,768,967
Interest receivable	-	4,999,689	178,403	197,229		5,375,321	6,182,945
Deferred bond issuance costs, net	-	7,115,311	352,990	-		7,468,301	6,754,081
Fixed assets, net (Note 7)	-	151,616	2,020	2,020		155,656	202,466
Prepaid expense	-	160,697	1,949	3,564		166,210	28,645
Cash Collateral for Securities Lending	-	-	-	-		-	130
Total Assets	<u>\$1,501,134</u>	<u>\$799,174,728</u>	<u>\$31,247,810</u>	<u>\$2,587,333</u>		<u>\$834,511,005</u>	<u>\$735,021,497</u>
LIABILITIES AND EQUITY							
Liabilities:							
Accounts payable	-	\$367,120	\$6,596	\$579		\$374,295	\$418,328
Due to State Government	-	50,428	5,621	3,345		59,394	44,813
Property Held in Trust	-	1,754	-	911		2,665	2,207
Accrued interest-bonds payable	-	3,912,580	587,775	-		4,500,355	5,715,154
Bonds payable, net (Note 8)	-	691,329,012	23,004,541	-		714,333,553	622,595,755
Deferred Refunding Costs	-	(312,551)	-	-		(312,551)	(19,634)
Arbitrage tax payable to U.S.	-	-	-	-		-	-
Treasury Department (Note 12)	-	941,935	-	-		941,935	227,090
Accrued compensated absences	-	41,816	8,364	9,558		59,738	48,121
Cash Collateral for Securities Lending	-	-	-	-		-	130
Total Liabilities	<u>-</u>	<u>696,332,094</u>	<u>23,612,897</u>	<u>14,393</u>		<u>719,959,384</u>	<u>629,031,964</u>
Equity:							
Retained Earnings:							
Reserved Retained Earnings-Pledged to Bondholders (Note 1 & 10):							
Unrealized (losses) gains on investments	-	\$886,670	\$29,014	-		\$915,684	(\$829,487)
Single Family Programs	-	81,023,179	-	1,762,759		82,785,938	72,290,417
Various Recycled Mortgage Programs	-	20,582,785	-	-		20,582,785	24,727,430
Multifamily Programs	-	-	7,391,712	-		7,391,712	6,255,144
Multifamily Project Commitments	-	-	214,187	-		214,187	575,519
Reverse Annuity Mortgage Program	-	350,000	-	803,930		1,153,930	1,316,984
Cash Assistance Program	-	-	-	6,251		6,251	152,806
Fund Balance:							
Reserved for Affordable Revolving Loan Program	1,501,134	-	-	-		1,501,134	1,500,720
Total Equity	<u>1,501,134</u>	<u>102,842,634</u>	<u>7,634,913</u>	<u>2,572,940</u>		<u>114,551,621</u>	<u>105,989,533</u>
Total Liabilities and Equity	<u>\$1,501,134</u>	<u>\$799,174,728</u>	<u>\$31,247,810</u>	<u>\$2,587,333</u>		<u>\$834,511,005</u>	<u>\$735,021,497</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES/EXPENDITURES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
June 30, 2001 with comparative combined totals for 2000

	Special Revenue	Enterprise			Combined Totals (memorandum only)	
	Affordable Revolving Loan Account	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Housing Trust Fund	2001	2000
REVENUES:						
Interest income-mortgage loans	\$414	\$38,234,376	\$1,414,593	\$48,461	\$39,697,844	\$34,902,669
Interest income-investments	-	11,273,008	546,615	81,029	11,900,652	10,884,886
Fee income	-	57,694	-	149,459	207,153	243,939
Federal Financial Assistance	-	-	240,866	-	240,866	-
Net increase (decrease) in fair value of investments	-	1,597,886	48,661	-	1,646,547	(1,187,740)
Grant Income	-	-	-	-	-	1,500,000
Other income	-	12	5,379	4,000	9,391	25,723
Securities Lending Income	-	275	-	514	789	3,947
Total revenues	<u>\$414</u>	<u>\$51,163,251</u>	<u>\$2,256,114</u>	<u>\$283,463</u>	<u>\$53,703,242</u>	<u>\$46,373,424</u>
EXPENSES/EXPENDITURES:						
Interest on bonds	-	38,674,328	1,416,841	-	40,091,169	35,746,152
Servicer fees	-	2,117,673	21,080	-	2,138,753	1,876,180
Contracted Services	-	489,117	31,345	6,494	526,956	564,480
Amortization of bond issuance costs	-	203,147	23,584	-	226,731	180,609
General and administrative	-	852,332	90,139	101,958	1,044,429	1,004,758
Securities Lending Expense	-	268	-	499	767	3,791
Arbitrage rebate tax (Note 12)	-	714,845	-	-	714,845	236,388
Loss on redemption (Note 9)	-	397,504	-	-	397,504	417,949
Total Expenses/Expenditures	<u>-</u>	<u>\$43,449,214</u>	<u>\$1,582,989</u>	<u>\$108,951</u>	<u>\$45,141,154</u>	<u>\$40,030,307</u>
Excess of revenues over (under) expenses/expenditures	414	7,714,037	673,125	174,512	8,562,088	6,343,117
Operating Transfers in (out)	-	(253,094)	253,094	-	-	-
Net income	<u>414</u>	<u>7,460,943</u>	<u>926,219</u>	<u>174,512</u>	<u>8,562,088</u>	<u>6,343,117</u>
Retained Earnings/Fund Balance, July 1	1,500,720	95,381,691	6,708,694	2,398,428	105,989,533	99,646,416
Retained Earnings/Fund Balance, June 30	<u>\$1,501,134</u>	<u>\$102,842,634</u>	<u>\$7,634,913</u>	<u>\$2,572,940</u>	<u>\$114,551,621</u>	<u>\$105,989,533</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
June 30, 2001 with comparative combined totals for 2000

	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Housing Trust Fund	Combined Totals (memorandum only)	
				2001	2000
CASH FLOWS FROM OPERATING ACTIVITY					
Receipts for Sales and Services	-	-	\$149,459	\$149,459	\$108,226
Collections on Loans					
And Interest on Loans	\$96,138,673	\$2,373,818	67,592	98,580,083	85,230,225
Cash payments for Loans	(104,832,717)	(9,690,095)	(241,367)	(114,764,179)	(131,881,592)
Federal Financial Assistance Receipts	-	240,866	-	240,866	-
Payments to Suppliers					
for Goods and Services	(3,104,712)	(126,579)	(43,924)	(3,275,215)	(2,647,924)
Payments to employees	(431,099)	(44,022)	(57,544)	(532,665)	(560,729)
Other Operating Revenues	12	5,379	4,000	9,391	25,723
Net Cash Provided (Used) for					
Operating Activities	(12,229,843)	(7,240,633)	(121,784)	(19,592,260)	(49,726,071)
CASH FLOWS FROM NONCAPITAL					
FINANCING ACTIVITIES:					
Payment of Principal and					
Interest on Bonds and Notes	(90,392,944)	(2,116,688)	-	(92,509,632)	(97,335,892)
Proceeds from Issuance					
of Bonds and Notes	142,940,000	-	-	142,940,000	157,555,000
Payment of Bond Issuance Costs	(1,450,223)	(1,978)	-	(1,452,201)	(1,875,885)
Premium Paid on Refunding Bonds	(88,100)	-	-	(88,100)	(398,077)
Transfers in (out)	(253,094)	253,094	-	-	-
Net Cash Provided (Used) for					
Noncapital Financing Activities	50,755,639	(1,865,572)	-	48,890,067	57,945,146
CASH FLOWS FROM CAPITAL AND RELATED					
FINANCING ACTIVITIES:					
Acquisition of Fixed Assets	-	-	-	-	(117,818)
Net Cash Used for Capital and					
Related Financing Activities	-	-	-	-	(117,818)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of Investments	(374,436,266)	(28,557,711)	-	(402,993,977)	(632,597,335)
Proceeds from Sales or					
Maturities of Investments	324,312,018	37,652,900	-	361,964,918	611,252,496
Interest on Investments	12,087,474	973,915	81,044	13,142,433	9,439,535
Arbitrage Rebate Tax	-	-	-	-	(110,600)
Net Cash Provided by (Used for)					
Investing Activities	(38,036,774)	10,069,104	81,044	(27,886,626)	(12,015,904)
Net Increase (Decrease) in Cash					
And Cash Equivalents	489,022	962,899	(40,740)	1,411,181	(3,914,647)
Cash and Cash Equivalents, beginning bal.	1,471,396	115,843	1,434,926	3,022,165	6,936,812
Cash and Cash Equivalents, ending bal.	\$1,960,418	\$1,078,742	\$1,394,186	\$4,433,346	\$3,022,165

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
June 30, 2001 with comparative combined totals for 2000

	Single Family Mortgage Program funds	Multifamily Mortgage Program Funds	Housing Trust Fund	Combined Totals (memorandum only)	
				2001	2000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income	\$7,714,037	\$673,125	\$174,512	\$8,561,674	\$4,842,397
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	46,074	368	368	46,810	30,767
Amortization	600,652	23,583	-	624,235	598,558
Interest Expense	38,674,328	1,416,841	-	40,091,169	35,746,152
Interest on Investments	(11,273,015)	(546,615)	(81,044)	(11,900,674)	(10,885,028)
Arbitrage Rebate Tax	714,845	-	-	714,845	236,388
Bad Debt Allowance	100,000	-	-	100,000	50,000
(Incr) Decr in fair value of investments	(1,597,886)	(48,661)	-	(1,646,547)	1,187,740
Change in Assets and Liabilities:					
Decr (Incr) in accounts receivable	-	-	-	-	1,671
Decr (Incr) in Mortgage					
Loans Receivable	(46,759,080)	(8,678,693)	(179,427)	(55,617,200)	(81,448,944)
Decr (Incr) in other assets	(576,019)	(51,348)	(42,958)	(670,325)	(315,937)
Incr (Decr) in Accounts Payable	(80,858)	(35,917)	(1,830)	(118,605)	121,471
Incr (Decr) in Deferred Reservation & Disc. Fees	211,458	(717)	-	210,741	170,399
Incr (Decr) in Deferred Revenue	-	-	-	-	(69,632)
Incr (Decr) in Compensated Absences					
Payable	(4,379)	7,401	8,595	11,617	7,927
Net Cash Provided by (Used for)					
Operating Activities	<u>(\$12,229,843)</u>	<u>(\$7,240,633)</u>	<u>(\$121,784)</u>	<u>(\$19,592,260)</u>	<u>(\$49,726,071)</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001 and 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Montana Board of Housing (the Board) is a quasi-judicial board created in 1975, by the Legislative Assembly of the State of Montana to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income as determined in accordance with the Board policy in compliance with the Internal Revenue Code. The Board is authorized to issue negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$975,000,000. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for payment of amounts so issued. The Board of Housing is attached to the Housing Division, Department of Commerce.

Basis of Presentation:

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues in the proprietary funds are recognized when earned and expenses are recognized when incurred. The modified accrual basis is followed for the special revenue fund. Under the modified accrual basis, revenues are susceptible to accrual and recognized when they are measurable and available to pay current period liabilities. The financial activities of the Board are recorded in funds established under various bond resolutions and the Montana Code Annotated (MCA). In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period.

Reporting Entity:

In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Board of Housing as a reporting entity. The financial statements of the Board of Housing are presented as a component unit in the State of Montana's General Purpose Financial Statements. The enterprise fund of the Board of Housing are part of but do not comprise the entire proprietary fund type of the State of Montana. The State of Montana directs and supervises budgeting, record keeping, reporting, and related administrative functions of the Board.

Fund Accounting:

To ensure observance of limitations and restrictions placed on the use of resources by the trust indentures, the Board of Housing accounts are organized in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose as described in the trust indentures. The operations of each fund are accounted for by providing a separate set of self balancing accounts which are comprised of each fund's assets, liabilities, retained earnings, revenues, and expenses. The majority of the funds at the Board are classified as enterprise funds, that is, a fund that is financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the expenses of meeting its organizational purpose be financed or recovered primarily through user charges and investment earnings, and the periodic determination of revenue earned and expenses incurred is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. Reserved Retained Earnings (pledged to bondholders) represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following describes the restrictions on the Reserved Retained Earnings: The individual bond indentures establish certain funds and accounts as special trust funds to hold the individual indenture funds. Because of the nature of the Board's bonds, these funds and accounts are pledged as collateral for the bonds under the individual program indentures. The individual indentures also set certain reserve requirements on cash and investments. These reserves are disclosed in Note 4 to the financial statements. Also, as disclosed in Note 5 to the financial statements, the mortgage loans receivable are pledged as security for holders of the bonds. Certain indentures also require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Accounting – continued

Reserved Retained Earnings also include reserved and committed funds for various programs established by the Board.

Fund Structure:

Single Family Mortgage Program Funds - these funds, established under seven separate trust indentures adopted on various dates, are established for accounting for the proceeds from the sale of Single Family Mortgage Bonds and the debt service requirements of the bond indebtedness. Activities of these funds are, in general, restricted to the purchase of eligible single family mortgage loans. The mortgage loans must be insured by the Federal Housing Administration or guaranteed by Veterans Administration or Rural Development (RD).

The accompanying combining financial statements present the Single Family Mortgage Program Funds in one column. The assets of each individual Single Family Mortgage Program Fund are restricted by the Fund's respective trust indenture; therefore, the total does not indicate that the Single Family Mortgage Program Funds' assets are available in any manner other than provided for in the individual trust indentures. The Board has reserved funds for specific loan programs. These loans will be originated from funds available in the Single Family I and II Indentures.

Multifamily Mortgage Program Funds - These funds, established under a trust indenture adopted February 23, 1978, as amended and restated as of December 29, 1992, are established for accounting for the proceeds from the sale of Multifamily Mortgage Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. Mortgage loans originated prior to December 1992 must be insured by the Federal Housing Administration.

On November 10, 1998, the Board issued \$1,625,000 in Multifamily General Obligation Bonds. These bonds are payable out of any of the Board's moneys, assets or revenue. These funds, established under a trust indenture adopted November 1, 1998, are established for accounting for the proceeds from the sale of Multifamily Mortgage General Obligation Bonds, the debt service requirements of the bond indebtedness, and for construction and permanent mortgage loans on multifamily developments being financed from the bond proceeds. The mortgage loans originated under this Indenture are not required to be insured by the Federal Housing Administration.

The Multifamily Program Fund on the financial statements, includes activity for both Indentures.

Housing Trust Fund - the Housing Trust Fund was established as a separate trust fund by a resolution of the Montana Board of Housing, adopted February 16, 1989. The Housing Trust Fund was created to finance in whole or in part future housing needs and the establishment of new programs as deemed necessary by the Board and any loans or projects that will provide housing for lower income persons and families with special housing needs. Current programs include, but are not limited to, the Reverse Annuity Mortgage Program (RAM) for senior Montana homeowners and the Cash Assistance Program – Disabled (CAP) to assist disabled individuals and families in the purchase of a single family home. The Housing Trust Fund also includes all activity from the Low Income Housing Tax Credit Program.

Affordable Housing Revolving Loan Account - Under MCA 90-6-133, a Revolving Loan Account was established. This is an affordable housing revolving loan account in the state special revenue fund in the state treasury. The money in the loan account is allocated to the board for the purposes of providing loans to eligible applicants.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents:

For the purposes of the combining statement of cash flows, cash and cash equivalents consist of cash held by the State of Montana Treasurer, cash and money market accounts held by trustees, and cash invested in the state's short term investment pool.

Investments:

Investment of the Board's monies is made in accordance with the Board's investment policy, dated April 13, 2000, which is in accordance with the trust indentures and the laws of the State of Montana.

Permitted investments are U.S. treasury obligations, U.S. agency obligations, debentures, or notes, certificates of deposits or time deposits, insured by the FDIC or fully insured by U.S. treasury or agency obligations which have a market value at least equal to the amount of such deposits, and investment contracts fully collateralized in an amount equal to 102% of the principal and interest of the agreement.

In no case shall an investment result in a reduction of ratings by Standard & Poor's Rating Services or Moody's Investor Services.

From 1988 to 1992 the Board invested in guaranteed investment contracts that had underlying collateral equal to 100% of the principal and interest of the agreements.

Investments, which are generally intended to be held to maturity, are reported at "fair value", as required by GASB 31.

Mortgage Loans Receivable:

Mortgage loans receivable are carried at their uncollected principal balances, adjusted for unamortized mortgage discounts and deferred loan fees, less an allowance for loan losses. Mortgage discounts and loan fees earned after 1988 are amortized using the interest method over the life of the mortgage loans and are accreted to interest income on mortgages. Mortgage discounts for all other program funds are amortized using the straight-line method over the remaining life of the mortgage loans and accreted to interest income.

The Board purchases mortgage loans secured by residences located throughout the State of Montana. Loans must be insured by the FHA (Federal Housing Administration) or guaranteed by the VA (Veterans Administration) or RD (Rural Development). Guidelines to minimize credit risk are established by FHA, VA, RD and Board policies.

Interest receivable is accrued on the amount of outstanding mortgage loan principal only if deemed collectible. Accrual on non-performing loans ceases at six months.

Estimated losses are determined based on management's judgement, giving effect to numerous factors including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loss experience and independent appraisals. The reserve for anticipated loan losses represents amounts which are not expected to be fully reimbursed by certain guarantors.

The Board incurs mortgage loan service fees with participating loan servicers based on outstanding monthly mortgage loan principal balances. The service fees are paid only when the mortgagee's full monthly payment is collected.

Fixed Assets:

Fixed assets are recorded at cost and depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years. The majority of fixed assets consists of computers and software.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Bonds Payable:

Bonds payable is adjusted for amortized bond premiums and discounts. Bond premiums and discounts are amortized or accreted to interest expenses using the interest method, as an adjustment to yield, over the life of the bonds to which they relate or are expensed upon early redemption of the bonds.

Bond issuance costs, including underwriter discounts, are amortized using the bonds outstanding method over the life of the bonds or are expensed upon redemption of the bonds.

Compensated Absences:

The Board's employees earn vacation leave ranging from 15 to 24 days per year depending on the employee's years of service. Vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

NOTE 2. CASH AND CASH EQUIVALENTS

The Board's cash and cash equivalents are categorized below to give an indication of the level of risk assumed by the Board. Category 1 includes investments which are insured, registered, or held by the Board or its agent in the Board's name. Category 2 includes uninsured and unregistered investments that are held by the counter party's trust department or agent in the Board's name. Category 3 includes uninsured and unregistered investments that are held by the counter party, or by its trust department or agent but not in the Board's name. All cash held by trustees and cash balances maintained by the State of Montana Treasury and held in the State's Short Term Investment Pool were covered by federal depository insurance or collateralized by securities held by third parties in the Board's name. At June 30, 2001 and 2000, the carrying amounts of the Board's cash and cash equivalents equaled the bank balances.

<u>Fund</u>	<u>Category</u>			<u>Totals</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>2001</u>	<u>2000</u>
Program Funds*	\$ 4,402,705	\$ -	\$ -	\$4,402,705	\$2,780,038
Deposited with State Treasury	31,775	-	-	31,775	242,847
	<u>\$ 4,434,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,434,480</u>	<u>\$ 3,022,885</u>

*Cash deposits are held at the trustee bank. Based on the opinion of the Board's bond counsel, these funds are insured by the FDIC on a pass-through basis to the owners of mortgage bonds. Thus, each individual bondholder is entitled to \$100,000 of insurance coverage.

The units held in the State's Short Term Investment Pool (STIP) are valued at \$1 per unit. The market value of STIP is equal to the cost. STIP securities include Banker's Acceptances, Commercial Paper, Corporate Obligations, Montana Certificates of Deposit, Government Securities, and Repurchase Agreements.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 3. SECURITIES LENDING

The Board of Housing invests in the State's Short-Term Investment Pool. As part of the pool, administered by the Board of Investments the Board participates in securities lending transactions. Under GASB 28, the following disclosures are required:

Under the provisions of state statutes, the Board of Investments (BOI) has, via a Securities Lending Authorization Agreement, authorized a custodial bank, State Street Bank and Trust, to lend the BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, BOI receives a fee and the custodial bank must initially receive collateral equal to 102% of the market value of the loaned securities and maintain collateral equal to not less than 100% of the market value of the loaned security. BOI retains all rights and risks of ownership during the loan period.

During fiscal years 2001 and 2000, State Street lent, on behalf of BOI, certain securities held by State Street, as custodian, and received US dollar currency cash, US government securities, and irrevocable bank letters of credit. State Street does not have the ability to pledge or sell collateral securities unless the borrower defaults.

BOI did not impose any restrictions during fiscal year 2001 and 2000 on the amount of loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2001 and 2000. More over, there were no losses during fiscal years 2001 and 2000 resulting from a default of the borrowers or State Street.

During fiscal years 2001 and 2000, BOI and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and BOI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which BOI could not determine. On June 30, 2001 and June 30, 2000, BOI had no credit risk exposure to borrowers.

As of June 30, 2001, there were no securities on loan.

NOTE 4. INVESTMENTS

The Board's investments are categorized below to give an indication of the level of risk assumed by the Board. Category 2 includes uninsured and unregistered investments that are held by the counter party's trust department or agent in the Board's name. The Board's investments at June 30, 2001 and 2000 consisted of Category 2 investments:

	2001		2000	
	Reported Amount	Fair Value	Reported Amount	Fair Value
U.S. Treasury	\$20,021,755	\$20,021,755	\$20,318,866	\$20,318,866
U.S. Agency	38,293,266	38,295,374	29,563,564	29,564,554
Repurchase agreements and Investment Contracts-- Collateralized	154,520,588	154,520,587	120,178,948	120,178,948
Total	<u>\$ 212,835,609</u>	<u>\$212,837,716</u>	<u>\$170,061,378</u>	<u>\$170,062,368</u>

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 4. INVESTMENTS-Continued

All repurchase agreements and investment contracts were fully collateralized with securities and cash held by the provider's agent and confirmed by the trustee as required by the bond indentures. Securities underlying the repurchase agreements have a market value of at least 102% of the cost of repurchase agreement. Securities underlying the investment contracts have a market value of at least 100% of the cost of the investment contract plus accrued interest.

Under GASB 31, certain investments are to be reported at fair value. The Board values all of its investments that have a maturity date of over one year at fair value. Those investments that have a maturity date of less than one year are valued at amortized cost. The fair values were based on market prices provided by the Board's trustee.

Portions of cash and investments, valued at amortized cost, are restricted to uses specified by applicable bond indentures. Amounts are restricted as follows:

	<u>2001</u>		<u>2000</u>	
	Single family Mortgage Program Funds	Multifamily Mortgage Program funds	Single family Mortgage Program funds	Multifamily Mortgage Program Funds
Funds				
Debt service reserve	\$43,523,767	\$1,390,558	\$43,247,670	\$1,383,649
Mortgage reserve	<u>\$3,972,851</u>	<u>\$235,200</u>	<u>\$4,022,363</u>	<u>\$242,897</u>
Total	<u>\$47,496,618</u>	<u>\$1,625,758</u>	<u>\$47,270,033</u>	<u>\$1,626,546</u>

As of June 30, 2001 original bond proceeds of \$90,219,969 were still on deposit in the 1999A, 2000A, 2000B and 2001A program acquisition funds to be used for the purchase of Single Family Mortgage loans. The proceeds of \$90,219,969 included \$51,345,291 in the 2001A bond issue which was closed on May 31, 2001.

As of June 30, 2001 there was \$23,609,832 in Single Family reservations outstanding in the 2000A and 2001A bond issues.

NOTE 5. MORTGAGE LOANS RECEIVABLE

The mortgage loans receivable are pledged in accordance with individual program indentures as security for holders of the bonds. Mortgage loans receivable consist of the following:

	<u>2001</u>	<u>2000</u>
Mortgage loan receivables:		
Single Family Program	\$584,447,054	\$537,687,971
Multifamily Program	22,796,968	14,118,275
Housing Trust Program	990,334	810,906
Affordable Revolving Loan Account	<u>1,500,000</u>	<u>1,500,000</u>
	609,734,356	554,117,152
Net mortgage discounts and deferred reservation fees	(5,408,928)	(5,198,185)
Allowance for loan losses and real estate owned (note 6)	<u>(250,000)</u>	<u>(150,000)</u>
	<u>\$604,075,428</u>	<u>\$548,768,967</u>

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 6. ALLOWANCE FOR LOAN LOSSES AND REAL ESTATE OWNED

The following summarizes activity in the allowance for loan losses and real estate owned:

Balance, June 30, 1999	\$100,000
Provision	105,585
Less: Net loans charged off	<u>(55,585)</u>
Balance, June 30, 2000	150,000
Provision	176,986
Less: Net loans charged off	<u>(76,986)</u>
Balance, June 30, 2001	<u>\$ 250,000</u>

The allowance for loan losses includes \$150,000 at June 30, 2001 and \$50,000 at June 30, 2000 for future estimated losses on real estate owned. Real estate owned property is property that is acquired through foreclosure or in satisfaction of loans and is initially recorded at the lower of the related loan balance, less any specific allowance for loss, or fair market value minus estimated costs to sell. The Board held four real estate owned properties as of June 30, 2001 and June 30, 2000.

NOTE 7. FIXED ASSETS

Fixed assets consist primarily of computer hardware, peripherals, software and other office equipment. Balances are as follows:

	<u>2001</u>	<u>2000</u>
Furniture, fixtures, and equipment at cost	\$362,485	\$362,485
Accumulated depreciation	<u>(206,829)</u>	<u>(160,019)</u>
Net fixed assets	<u>\$ 155,656</u>	<u>\$ 202,466</u>

Depreciation expense included in general and administrative expense was \$46,810 and \$30,767 for the years ended June 30, 2001 and 2000 respectively.

NOTE 8. BONDS PAYABLE, NET

Bonds payable, net of premium or discount, consists of the following:

	<u>Original Amount</u>	<u>2001</u>	<u>2000</u>
Single Family I Mortgage Bonds:			
1997			
Series A-1 and A-2 serial and term bonds 4.00% to 6.15% maturing in scheduled semi-annual installments to December 1, 2011, and on December 1, 2016, December 1, 2017, December 1, 2027, December 1, 2029 June 1, 2030 and December 1, 2037	\$91,360,00	\$78,210,000	\$83,330,000
1999			
Series A-1 and A-2 serial and term bonds 4.35% to 5.75% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2014, December 1, 2020, June 1, 2030 and December 1, 2030 and December 1, 2031	\$60,000,000	\$56,885,000	\$59,100,000

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 8. BONDS PAYABLE, NET - continued

	<u>Original Amount</u>	<u>2001</u>	<u>2000</u>
2000			
Series A-1 and A-2 serial and term bonds 4.15% to 6.45% maturing in scheduled semi-annual installments to December 1, 2012, and on June 1, 2016, June 1, 2019, December 1, 2020, June 1, 2029 December 1, 2031 and June 1, 2032	\$87,695,000	\$83,630,000	\$87,695,000
2000			
Series B-1 and B-2 serial and term bonds 4.40% to 7.95% maturing in scheduled semi-annual installments to June 1, 2015, and on June 1, 2020, December 1, 2020, December 1, 2029, June 1, 2032 December 1, 2031	\$71,940,000	\$71,355,000	-
2001			
Series A-1 and A-2 serial and term bonds 4.30% to 5.70% maturing in scheduled semi-annual installments to December 1, 2020, December 1, 2023 December 1, 2031, June 1, 2032 and December 1, 2032	\$71,000,000	\$71,000,000	-
Total bonds outstanding Single Family I		\$ 361,080,000	\$230,125,000
Single Family II Mortgage Bonds:			
1983 -			
Series C, serial, term and Capital Appreciation Bonds (CAB), 5.75% to 10.7% interest. Serial and term bonds, refunded April 15, 1994. CABS are reported at accreted value, and are scheduled for redemption, in part, in semi-annual installments commencing June 1, 2003 to June 1, 2010.	114,998,229	6,590,019	7,977,993
1984 -			
Series A, serial, term and CABS, 7.0% to 11.5% interest. Serial and term bonds refunded August 1, 1994. CABS are reported at accreted value, and are scheduled for redemption, in whole, in an annual installment on June 1, 2010	75,002,290	1,845	1,650
1985 -			
Series A, serial, term, Postponed Revenue on Future Income Tax(PROFITS), all redeemed. CABS are reported at accreted value, and scheduled for redemption, in part, in semi-annual installments to December 1, 2004 and December 1, 2015 to June 1, 2016.	39,999,625	5,112,148	6,198,033

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 8. BONDS PAYABLE, NET – continued

	<u>Original Amount</u>	<u>2001</u>	<u>2000</u>
1985 -			
Series B, term bonds maturing in scheduled semi-annual installments to June 1, 2011.	74,996,862	2,375,000	2,470,000
1992 -			
Series RA, serial and term, 5.65% to 6.5% interest, serial and term bonds maturing to December 1, 2007, and on December 1, 2012, December 1, 2022, and December 1, 2032.	22,520,000	22,520,000	22,520,000
1994 -			
Series A-1 and A-2, serial and term bonds, 3.1% to 6.1% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2002, and on June 1, 2015 and December 1, 2024.	25,725,000	9,570,000	12,070,000
Series B-1 and B-2, serial and term bonds, 3.8% to 6.9% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2002, and on June 1, 2008, December 1, 2014 and June 1, 2025.	40,815,000	3,515,000	8,820,000
Series C-1 and C-2, serial and term bonds 4.5% to 6.8% interest, serial and term bonds maturing in scheduled semi-annual installments to December 1, 2008 and on December 1, 2016, June 1, 2020, and December 1, 2026.	20,000,000	1,360,000	4,265,000
1995 -			
Series A-1 and A-2 serial and term bonds 4.75% to 6.55% maturing in scheduled semi-annual installments to December 1, 2009, and on December 1, 2012, December 1, 2017, December 1, 2025, and June 1, 2027.	33,580,000	16,445,000	19,565,000
Series B-1 and B-2 serial and term bonds 4.20% to 6.40% maturing in scheduled semi-annual installments to December 1, 2008, June 1, 2006 to December 1, 2008 and on December 1, 2014, December 1, 2021, December 1, 2027, and June 1, 2035.	88,000,000	82,315,000	85,220,000
1996-			
Series A-1 and A-2 serial and term bonds 4.70% to 6.375% maturing in scheduled semi-annual installments to December 1, 2009, and on December 1, 2012, June 1, 2016, June 1, 2024, and December 1, 2028.	65,000,000	47,630,000	53,475,000

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 8. BONDS PAYABLE, NET - continued

	<u>Original Amount</u>	<u>2001</u>	<u>2000</u>
1998			
Series A-1 and A-2 serial and term bonds 4.00% to 5.45% maturing in scheduled semi-annual installments to December 1, 2012, and on December 1, 2016, June 1, 2019, June 1, 2027, December 1, 2030 and June 1, 2031.	51,780,000	47,060,000	49,815,000
1998			
Series B-1 and B-2 serial and term bonds 4.65% to 5.35% maturing in scheduled semi-annual installments to December 1, 2005 and on December 1, 2013, and on December 1, 2005, December 1, 2016, June 1, 2021, December 1, 2022, December 1, 2030 and , June 1, 2031.	65,000,000	<u>61,515,000</u>	<u>64,335,000</u>
Total bonds outstanding Single Family II		<u>306,009,012</u>	<u>336,732,676</u>

Single Family III Mortgage Bonds:

1988 -			
Series B-1 and B-2, serial and term senior bonds and subordinate bonds, 6.2% to 8.9% interest, maturing in scheduled semi-annual installments to October 1, 2008, and on October 1, 2014 and October 1, 2020.			
Senior Bonds	24,000,000	1,825,000	2,405,000
Subordinate Bonds	1,000,000	-	15,000

Single Family VII Mortgage Bonds:

1990 – Refunded, October 1, 2000			
Series C-1 and C-2, serial and term bonds and subordinate bonds, 6.45% to 8.95% interest, maturing in semi-annual installments to October 1, 2004, and on October 1, 2010, October 1, 2017, October 1, 2021, and April 1, 2022.			
Senior Bonds	24,000,000	-	4,535,000
Subordinate Bonds	1,000,000	-	100,000

Single Family VIII Mortgage Bonds:

1991 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 5.2% to 8.275% interest, maturing in semi-annual installments to October 1, 2006, and on October 1, 2017, October 1, 2019, and October 1, 2022.			
Senior Bonds	24,000,000	6,315,000	6,950,000
Subordinate Bonds	1,000,000	135,000	215,000

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 8. BONDS PAYABLE, NET - continued

	<u>Original Amount</u>	<u>2001</u>	<u>2000</u>
Single Family IX Mortgage Bonds:			
1991 -			
Series B-1 and B-2, serial and term bonds and subordinate bonds, 5.50% to 8.4% interest, maturing in semi-annual installments to October 1, 2004, and on October 1, 2006, October 1, 2017, October 1, 2022 and April 1, 2023.			
Senior Bonds	24,000,000	6,770,000	7,455,000
Subordinate Bonds	1,000,000	175,000	255,000

Single Family X Mortgage Bonds:

1992 -			
Series A-1 and A-2, serial and term bonds and subordinate bonds, 4.45% to 7.85% interest, maturing in scheduled semi-annual installments to October 1, 2006, and on October 1, 2016, October 1, 2022 and October 1, 2023.			
Senior Bonds	24,000,000	8,675,000	9,950,000
Subordinate Bonds	1,000,000	345,000	440,000
Total Single Family Mortgage bonds payable, net		<u>691,329,012</u>	<u>599,177,676</u>

All single family mortgage bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption at various dates at prices ranging from 100% to 103%.

Single Family III through X mortgage senior bonds are special obligation bonds of the Board of Housing whereas subordinate bonds are general obligation bonds of the Board of Housing.

Single Family I and II mortgage series bonds are general obligation bonds of the Board of Housing within the individual bond indenture.

	<u>Original Amount</u>	<u>2001</u>	<u>2000</u>
Multifamily Mortgage Bonds:			
1978 -			
Series A, 6.125% interest, maturing in scheduled annual installments to August 1, 2019.	4,865,000	2,540,000	2,600,000
1992 -			
Series A, 2.95% to 6.55% interest, serial and term Bonds, maturing in scheduled semi-annual installments to August 1, 2006, and on August 1, 2012, and August 1, 2023.	9,725,000	8,400,000	8,600,000
1996			
Series A, 4.10% to 6.15% interest, serial and term Bonds, maturing in scheduled annual installments to August 1 2011, and on August 1, 2016, and August 1, 2026.	890,000	830,000	845,000

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 8. BONDS PAYABLE, NET - continued

	<u>Original Amount</u>	<u>2001</u>	<u>2000</u>
1998			
Series A 3.5% to 4.70% interest, serial and term Bonds, maturing in scheduled annual installments to August 1, 2014 and on August 1, 2029.	1,625,000	1,495,000	1,565,000
1999			
Series A 4.95% to 8.45% interest, term Bonds, maturing in scheduled semi annual installments to August 1, 2008, August 1, 2010, August 1, 2016, August 1, 2025, August 1, 2030, August 1, 2037, August 1, 2041 and August 1, 2039	9,860,000	9,790,000	9,860,000
Total bonds outstanding		23,055,000	23,470,000
Unamortized bond premiums		(50,459)	(51,921)
Total Multifamily Mortgage bonds payable, net		23,004,541	23,418,079
Combined total bonds payable, net		\$714,333,553	\$622,595,755

All multifamily bonds are subject to mandatory sinking fund requirements of scheduled amounts commencing at various dates and to optional redemption after various dates at prices ranging from 100% to 105%.

The 1998A Multifamily bonds are general obligations of the Board.

The following is a primary summary of bond principal and interest requirements as of June 30, 2001:

Year Ending June 30:	Single Family Mortgage Program Funds	Multifamily Mortgage Program Funds	Principal Totals	Interest Totals
2002	\$49,335,525	\$1,912,262	\$ 9,735,500	\$41,512,287
2003	51,841,403	1,905,683	12,765,528	40,981,558
2004	53,373,608	1,897,450	14,558,377	40,712,681
2005	52,177,141	1,857,838	13,955,816	40,079,163
2006	51,761,326	1,862,470	14,264,048	39,359,748
Thereafter	1,211,121,298	39,461,264	649,104,743	601,477,819
Total	<u>\$1,469,610,301</u>	<u>\$48,896,967</u>	<u>\$714,384,012</u>	<u>\$804,123,256</u>

Cash paid for interest expenses during the years ending June 30, 2001 and 2000 was \$40,018,177 and \$31,708,704, respectively.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 9. LOSS ON REDEMPTION

During the years ended June 30, 2001 and 2000 the Board redeemed Single Family mortgage program bonds prior to scheduled maturity as follows:

	<u>2001</u>	<u>2000</u>
Single Family I		
December 1	\$3,300,000	\$3,020,000
February 1	170,000	-
June 1	<u>7,410,000</u>	<u>2,340,000</u>
	<u>10,880,000</u>	<u>5,360,000</u>
Single Family II		
October 1	-	5,095,000
December 1	\$13,530,365	13,858,135
June 1	<u>11,984,073</u>	<u>7,846,491</u>
	<u>25,514,438</u>	<u>26,799,626</u>
Single Family III		
October 1	\$270,000	\$750,000
April 1	<u>220,000</u>	<u>275,000</u>
	<u>490,000</u>	<u>1,025,000</u>
Single Family IV		
October 1	-	\$4,695,000
April 1	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,695,000</u>
Single Family V		
October 1	-	\$1,040,000
April 1	<u>-</u>	<u>4,845,000</u>
	<u>-</u>	<u>5,885,000</u>
Single Family VI		
October 1	-	\$1,055,000
April 1	<u>-</u>	<u>5,455,000</u>
	<u>-</u>	<u>6,510,000</u>
Single Family VII		
October 1	\$175,000	\$720,000
April 1	<u>-</u>	<u>270,000</u>
	<u>175,000</u>	<u>990,000</u>
Single Family VIII		
October 1	\$355,000	\$960,000
April 1	<u>135,000</u>	<u>455,000</u>
	<u>490,000</u>	<u>1,415,000</u>
Single Family IX		
October 1	\$310,000	\$1,190,000
April 1	<u>230,000</u>	<u>625,000</u>
	<u>540,000</u>	<u>1,815,000</u>
Single Family X		
October 1	\$535,000	\$1,220,000
April 1	<u>530,000</u>	<u>490,000</u>
	<u>1,065,000</u>	<u>1,710,000</u>
Multifamily	<u>-</u>	<u>1,350,000</u>
Total	<u>\$39,154,438</u>	<u>\$57,554,626</u>

All such Bonds were redeemed at par or 100% of their compounded value to date of redemption. Unamortized discounts and cost of issuance associated with the bonds redeemed were expended at time of redemption and are reported as losses on redemption of \$397,504 and \$417,949 in 2001 and 2000 respectively.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 10. COMMITMENTS AND CONTINGENCIES

The Board has reserved and is in the process of purchasing Single Family Mortgages of approximately \$967,246 from the issuance of the 2000 Series A Bonds and \$22,642,586 from the issuance of the 2001 Series A bonds.

The Board has committed to purchase Single Family Mortgages as noted below:

HUD Section 184-Indian Housing	\$250,000
Glacier Affordable Housing Program	1,653,709
City of Billings	1,877,499
Neighborhood Housing Services MT Home Ownership Network	5,590,976
Neighborhood Housing Services MT Home Ownership Network (Subordinate Loan)	807,062
Habitat for Humanity	307,230
City of Lewistown	400,000
Neighborhood Housing Services (statewide)	236,292
City of Red Lodge	449,750
First Time Homebuyers Savings Account	871,027
USDA Rural Housing Development	1,755,344
Billings High Sierra Affordable Housing	193,635
Native American Housing Loan Guarantee	1,000,000
City of Shelby	511,362
District XI Human Resource Council	3,420,000
Helena Housing Authority	1,000,000
Disabled Affordable Accessible Homeownership Program	258,899
Total Single Family commitments	<u>\$20,582,785</u>

Other Commitments--Single Family I	
Reverse Annuity Mortgage Program	\$350,000

The Board has the following Multifamily commitments:

Financing Adjustment Factor Subsidy Set aside (restricted by agreement with HUD)	\$214,187
Total Multifamily Commitments	

The Board has committed Housing Trust Funds as noted below:

Home buyers Cash Assistance Program-Disabled	\$ 6,251
Reverse Annuity Mortgage Program	803,930
Total Housing Trust Fund commitments	<u>\$810,181</u>

These mortgage commitments will be funded through cash and investments.

During the ordinary course of business, the Board incurs expenses under various cancelable leases for rental of equipment and maintenance contracts.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 11. EMPLOYEE BENEFIT PLANS

The Board of Housing participates in the Public Employees' Retirement System plan. The plan is a state-wide, cost-sharing multiple employer defined benefit retirement plan which covers full-time permanent employees. Part-time employees have an option to belong to the retirement plan, depending upon hours worked. The plan is established under State law and is administered by the State of Montana. The plan provides retirement, disability and death benefits to plan members and beneficiaries.

The plan issues publicly available annual reports that include financial statements and required supplemental information for the plans. Those reports may be obtained from the following:

Public Employees' Retirement Division
P.O. Box 200131
1712 Ninth Avenue
Helena, MT 59620-0131
406-444-3154

Contribution rates for the plan are required and determined by State law.

The contribution rates for 2001 expressed as a percentage of covered payroll are as follows:

<u>Employee</u>	<u>Employer</u>	<u>Total</u>
6.90%	6.90%	13.80%

The amounts contributed to the plan during the years ended June 30, 1999, 2000 and 2001 were equal to the required contribution each year. The amounts contributed by both the Board and by employees, as permitted by State law, were as follows:

Fiscal Year	1999-	\$25,930
Fiscal Year	2000-	\$29,149
Fiscal Year	2001-	\$28,107

Deferred Compensation Plan: The Board's permanent employees are eligible to participate in the State of Montana's deferred compensation plan. The compensation deferred is not available to employees until separation from State service, retirement, death, or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria. The plan is governed by Internal Revenue Service Code (IRC) Section 457 and Title 19, Chapter 50, Montana Code Annotated (MCA). The Small Business Job Protection Act of 1996 resulted in changes to IRC Section 457 and Title 19, Chapter 50, MCA. Assets of the deferred compensation plan are required to be held in trust, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. For plans in existence as of August 20, 1996, compliance was required by January 1, 1999.

NOTE 12. CONTINGENT ARBITRAGE REBATE TAX LIABILITY PAYABLE TO U.S. TREASURY DEPARTMENT

The Board has established an accrual for the contingent liability for estimated arbitrage payments due to the Treasury Department in accordance with the Internal Revenue Code. The amount of the rebate in general terms is the difference between the actual interest earned on investments and "allowable" interest as defined by Treasury Department Regulations. Ninety percent of the estimated rebate will be paid to the United States Treasury within 60 days of the end of every fifth bond year until the bonds are retired, at which time 100% of the remaining rebate amount is due.

There were no arbitrage rebate tax cash payments to the Treasury Department in fiscal year 2001. During fiscal year ended June 30, 2000, \$110,600 was paid to the Treasury Department. The liabilities are \$941,935 and \$227,090 as of June 30, 2001 and 2000, respectively.

MONTANA BOARD OF HOUSING
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2001 and 2000

NOTE 13. SUBSEQUENT EVENTS

On May 31, 2001, the board issued \$71,000,000 in bonds under the Single Family I Indenture. A portion of the bond proceeds were used to fully refund the 1991A and 19991B Single Family Program Issues on July 1, 2001.

NOTE 14. REFUNDING AND DEFERRED BOND ISSUANCE COSTS

On September 14, 2000, Series 2000B was issued in the amount of \$71,940,000. In conjunction with the issuance of the 2000B bonds, the Board refunded the 1990C bond issue on October 1, 2000.

Under GASB 23, deferred costs are required to be amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds.

The following costs associated with the refunding were deferred and are being amortized under the GASB 23 guidelines:

FY 2001 Refunding:

Cost of Issuance related to the refunded bonds (90C)	\$47,241
Premium paid on the refunded bonds (90C)	88,100
Total deferred refunding costs	135,341
Less amortization FY 2001	<u>(8,056)</u>
Amount remaining to be amortized on FY 2001 issue	\$127,285

Prior years' Refundings:

Unamortized Deferred refunding costs from prior years' refunding	<u>\$185,266</u>
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Total unamortized	<u>\$312,551</u>
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The refunding of the 1990C bonds resulted in an economic gain of \$737,211 and a difference in cash flows of \$498,338.

NOTE 15. RELATED PARTY TRANSACTIONS

Employees, officers and stockholders of certain approved originator and servicing financial institutions of the Board also serve as directors of the Board of Housing.

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
SINGLE FAMILY COMBINING BALANCE SHEET
JUNE 30, 2001

	Single Family I	Single Family II	Single Family III
ASSETS			
Cash and cash equivalents	\$878,539	\$972,002	\$29,648
Investments	135,929,491	65,728,650	480,090
Mortgage loans receivable	252,542,083	304,925,027	1,982,694
Interest receivable--Investments	530,916	631,625	7,352
Interest receivable-Mortgages	1,617,825	1,991,769	19,661
Deferred bond issuance costs, net	3,854,818	2,989,616	17,798
Fixed assets	62,047	89,569	-
Prepaid expense	82,897	77,800	-
Total assets	\$395,498,616	\$377,406,058	\$2,537,243

LIABILITIES AND RETAINED EARNINGS

Liabilities:

Accounts payable	\$200,035	\$155,914	\$1,373
Due to State Government	35,864	14,564	-
Property Held in Trust	-	1,754	-
Accrued interest bonds payable	2,051,629	1,423,267	35,437
Bonds payable, net	361,080,000	306,009,012	1,825,000
(Less)plus: Deferred refunding costs	(533,028)	220,477	-
Arbitrage tax payable to U.S.			
Treasury Department	256,608	684,921	
Accrued compensated absences	20,908	20,908	-
Total liabilities	\$363,112,016	\$308,530,817	1,861,810

RETAINED EARNINGS:

Reserved Retained Earnings-

Pledged to Bondholders

Unrealized Gains		886,670	
Single Family Programs	30,229,538	49,212,848	675,433
Reverse Annuity Mortgage Programs	350,000		
Multifamily Project Commitments			
Various Recycled Mortgage Programs	1,807,062	18,775,723	
Total Retained Earnings	\$32,386,600	\$68,875,241	\$675,433
Total Liabilities and Retained Earnings	\$395,498,616	\$377,406,058	\$2,537,243

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
SINGLE FAMILY COMBINING BALANCE SHEET
JUNE 30, 2001

	Single Family VIII	Single Family IX	Single Family X	Combined Totals
ASSETS				
Cash and cash equivalents	\$38,054	\$36,610	\$5,565	\$1,960,418
Investments	1,227,441	1,216,632	1,341,165	\$205,923,469
Mortgage loans receivable	5,665,790	6,088,204	7,659,730	\$578,863,528
Interest receivable--Investments	18,225	18,008	19,609	\$1,225,735
Interest receivable--Mortgages	45,326	47,369	52,004	\$3,773,954
Deferred bond issuance costs, net	75,150	75,588	102,341	\$7,115,311
Fixed assets	-	-	-	\$151,616
Prepaid expense	-	-	-	\$160,697
Total assets	<u>\$7,069,986</u>	<u>\$7,482,411</u>	<u>\$9,180,414</u>	<u>\$799,174,728</u>
LIABILITIES AND RETAINED EARNINGS				
Liabilities:				
Accounts payable	\$2,946	\$3,162	\$3,690	\$367,120
Due to State Government	-	-	-	\$50,428
Property Held in Trust	-	-	-	\$1,754
Accrued interest bonds payable	118,997	127,179	156,071	\$3,912,580
Bonds payable, net	6,450,000	6,945,000	9,020,000	\$691,329,012
Less: Deferred refunding costs	-	-	-	(\$312,551)
Arbitrage tax payable to U.S.	-	-	-	-
Treasury Department	-	406	-	\$941,935
Accrued compensated absences	-	-	-	\$41,816
Total liabilities	<u>6,571,943</u>	<u>7,075,747</u>	<u>9,179,761</u>	<u>696,332,094</u>
RETAINED EARNINGS:				
Reserved Retained Earnings-				
Pledged to Bondholders				
Unrealized Gains	-	-	-	\$886,670
Single Family Programs	498,043	406,664	653	\$81,023,179
Reverse Annuity Mortgage Programs	-	-	-	\$350,000
Various Recycled Mortgage Programs	-	-	-	\$20,582,785
Total Retained Earnings	<u>498,043</u>	<u>406,664</u>	<u>653</u>	<u>102,842,634</u>
Total Liabilities and Retained Earnings	<u>\$7,069,986</u>	<u>\$7,482,411</u>	<u>\$9,180,414</u>	<u>\$799,174,728</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
June 30, 2001

	Single Family I	Single Family II	Single Family III
REVENUES:			
Interest Income-mortgage loans	\$15,343,262	\$20,938,496	\$233,717
Interest Income-Investments	6,423,699	4,558,133	36,474
Fee income	32,737	24,957	-
Net increase (decrease) in fair value of investments	-	1,597,886	-
Other income	6	6	-
Securities Lending Income	-	275	-
Total revenues	<u>\$21,799,704</u>	<u>\$27,119,753</u>	<u>\$270,191</u>
EXPENSES:			
Interest on bonds	\$17,350,992	\$19,458,987	\$164,524
Servicer fees	825,542	1,200,764	9,655
Contracted Services	214,197	249,039	2,119
Amortization of bond issuance costs	183,227	3,175	1,793
General and administrative	424,108	428,224	-
Arbitrage rebate tax	221,750	496,897	-
Loss on redemption	118,692	249,829	4,909
Securities Lending Expense	-	268	-
Total expenses	<u>\$19,338,508</u>	<u>\$22,087,183</u>	<u>\$183,000</u>
Net operating income (loss)	2,461,196	5,032,570	87,191
Operating transfers (out)in	202,288	-	-
Net income (loss)	<u>2,663,484</u>	<u>5,032,570</u>	<u>87,191</u>
Retained Earnings, beginning of year:			
Reserved Retained Earnings-Pledged to Bondholders	29,723,116	63,842,671	588,242
Retained Earnings, end of year:			
Reserved Retained Earnings-Pledged to Bondholders	<u>\$32,386,600</u>	<u>\$68,875,241</u>	<u>\$675,433</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
June 30, 2001

	<u>Single Family VII</u>	<u>Single Family VIII</u>	<u>Single Family IX</u>
REVENUES:			
Interest Income-mortgage loans	-	\$530,667	\$560,112
Interest Income-Investments	-	75,163	78,858
Fee income	-	-	-
Net increase (decrease) in fair value of investments	-	-	-
Other income	-	-	-
Securities Lending Income	-	-	-
Total revenues	<u>-</u>	<u>\$605,830</u>	<u>\$638,970</u>
EXPENSES:			
Interest on bonds	-	\$497,173	\$534,307
Servicer fees	-	24,471	26,014
Contracted Services	-	6,751	7,306
Amortization of bond issuance costs	-	3,817	4,377
General and administrative	-	-	-
Arbitrage rebate tax	-	-	(3,802)
Loss on redemption	-	5,772	5,948
Securities Lending Expense	-	-	-
Total expenses	<u>-</u>	<u>\$537,984</u>	<u>\$574,150</u>
Net operating income (loss)	-	67,846	64,820
Operating transfers (out)in	(455,382)	-	-
Net income (loss)	<u>(455,382)</u>	<u>67,846</u>	<u>64,820</u>
Retained Earnings, beginning of year:			
Reserved Retained Earnings-Pledged to Bondholders	455,382	430,197	341,844
Retained Earnings, end of year:			
Reserved Retained Earnings-Pledged to Bondholders	<u>-</u>	<u>\$498,043</u>	<u>\$406,664</u>

MONTANA BOARD OF HOUSING
A COMPONENT UNIT OF THE STATE OF MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
June 30, 2001

	Single Family X	Combined Totals
REVENUES:		
Interest Income-mortgage loans	\$628,122	\$38,234,376
Interest Income-Investments	100,681	11,273,008
Fee income	-	57,694
Net increase (decrease) in fair value of investments	-	1,597,886
Other income	-	12
Securities Lending Income	-	275
Total revenues	<u>\$728,803</u>	<u>\$51,163,251</u>
EXPENSES:		
Interest on bonds	\$668,345	\$38,674,328
Servicer fees	31,227	2,117,673
Contracted Services	9,705	489,117
Amortization of bond issuance costs	6,758	203,147
General and administrative	-	852,332
Arbitrage rebate tax	-	714,845
Loss on redemption	12,354	397,504
Securities Lending Expense	-	268
Total expenses	<u>\$728,389</u>	<u>\$43,449,214</u>
Net operating income (loss)	414	7,714,037
Operating transfers (out)in	-	(253,094)
Net income (loss)	<u>414</u>	<u>7,460,943</u>
Retained Earnings, beginning of year:		
Reserved Retained Earnings-Pledged to Bondholders	239	95,381,691
Retained Earnings, end of year:		
Reserved Retained Earnings-Pledged to Bondholders	<u>\$653</u>	<u>\$102,842,634</u>

APPENDIX B

Participating Lending Offices

<u>City</u>	<u>Lender Name</u>	<u>City</u>	<u>Lender Name</u>
Absarokee	United Bank of Absarokee Yellowstone Bank	Circle	Wells Fargo Home Mortgage
Anaconda	Wells Fargo Home Mortgage Western Security	Clancy	First Boulder Valley Bank
Baker	The Bank of Baker Wells Fargo Home Mortgage	Clyde Park	First National Bank of Rockies
Belgrade	First Interstate Bank Valley Bank of Belgrade First Security Bank	Colstrip	First Interstate Bank
Big Sandy	Wells Fargo Home Mortgage	Columbia Falls	Glacier Bank
Big Timber	American Bank Citizens State Bank & Trust Intermountain Mortgage	Columbus	United Bank of Absarokee Yellowstone Bank
Bigfork	Flathead Bank of Bigfork Glacier Bank Rocky Mountain Bank	Conrad	Marquette Bank Montana NA Wells Fargo Home Mortgage Western Security Bank
Billings	Countrywide Home Loans Inc. Empire Federal Savings First Citizens Bank of Billings First Interstate Bank Glacier Bank FSB GMAC Mortgage Intermountain Mortgage Little Horn State Bank Mann Mortgage Rocky Mountain Bank Stockman Bank Streeter Brothers Mortgage Company U.S. Bank Wells Fargo Home Mortgage Western Security Bank Yellowstone Bank	Corvallis	Citizens State Bank
Boulder	First Boulder Valley Bank	Culbertson	First Community Bank
Bozeman	American Bank American Federal Savings Bank First Interstate Bank First Security Bank GMAC Mortgage Intermountain Mortgage Montana Mortgage Company U.S. Bank Wells Fargo Home Mortgage Western Security Bank	Cut Bank	First Interstate Bank Glacier Bank Mann Mortgage Marquette Bank Montana NA
Broadus	Rocky Mountain Bank	Deer Lodge	Peoples Bank Pioneer Federal Savings
Browning	Blackfeet National Bank	Dillon	Wells Fargo Home Mortgage Pioneer Federal Savings State Bank and Trust
Butte	American Federal Savings Bank First National Bank Glacier Bank U.S. Bank Wells Fargo Home Mortgage Western Security Bank	East Helena	Western Security Bank
Chester	Heritage Wells Fargo Home Mortgage	Ennis	First Madison Valley Bank
Chinook	Wells Fargo Home Mortgage Western Bank of Chinook	Eureka	First Interstate Glacier The First National Bank
Choteau	The Citizens Bank of Choteau	Forsyth	First State Bank Wells Fargo Home Mortgage
		French Town	Clark Fork Valley Bank
		Gardiner	First Interstate Bank
		Glasgow	First Community Bank Wells Fargo Home Mortgage Valley Bank Western Security Bank
		Glendive	Community First Bank Heritage Bank Stockman Bank
		Great Falls	First Interstate Bank Heritage Bank Mountain West Bank U.S. Bank Wells Fargo Home Mortgage Western Security Bank
		Hamilton	Citizens State Bank First Interstate Bank Glacier Bank Western Security Bank
		Hardin	First Interstate Bank Little Horn State Bank Western Security Bank
		Harlem	Rocky Mountain Bank

<u>City</u>	<u>Lender Name</u>	<u>City</u>	<u>Lender Name</u>
Harlowton	Continental National Bank	Plentywood	Rocky Mountain Bank Western Security Bank
Havre	First Security Bank Heritage Bank Wells Fargo Home Mortgage Western Security Bank	Polson	First Citizens Bank Glacier Bank Mann Mortgage First Interstate Bank Ronan State Bank
Helena	American Federal Savings Bank First Interstate Bank Glacier Bank Mann Mortgage Mountain West Bank Valley Bank Wells Fargo Home Mortgage Western Security Bank	Red Lodge	Wells Fargo Home Mortgage U S National Bank of Red Lodge
Hot Springs	Valley Bank	Richey	Stockman Bank of Montana
Hysham	Stockman Bank	Ronan	Ronan State Bank Valley Bank of Ronan
Jordan	Garfield County Bank	Roundup	First Security Bank Wells Fargo Home Mortgage
Kalispell	Bankwest NA First Interstate Bank Glacier Bank GMAC Mortgage Mann Mortgage Montana First National Bank Montana Mortgage Company Three Rivers Bank Valley Bank of Kalispell Wells Fargo Home Mortgage Western Security Bank	Rudyard	Wells Fargo Home Mortgage
Laurel	First Security Bank Western Security Bank Yellowstone Bank	Scobey	Citizens State Bank
Lewistown	Basin State Bank First National Bank Wells Fargo Home Mortgage Western Security Bank	Shelby	Heritage Bank Wells Fargo Home Mortgage
Libby	First National Bank Glacier Bank	Sheridan	Ruby Valley National Bank
Livingston	American Bank Empire Federal Savings Bank First Interstate Bank of Commerce First National Bank of Rockies Wells Fargo Home Mortgage	Sidney	First Bank Wells Fargo Home Mortgage Stockman Bank Western Security Bank
Lolo	Bitterroot Valley Bank	St Ignatius	Lake County Bank
Malta	First Security Bank Western Security Bank	Stanford	Basin State Bank
Miles City	First Interstate Bank Stockman Bank of Montana U.S. Bank Western Security Bank	Stevensville	Rocky Mountain Bank
Missoula	First Interstate Bank First Security Bank GMAC Mortgage Intermountain Mortgage Mann Mortgage Missoula Federal Credit Union Montana Mortgage Company Mountain West Bank Wells Fargo Home Mortgage Western Security Bank	Superior	Wells Fargo Home Mortgage
Pablo	Community Bank of Pablo	Thompson Falls	Glacier Bank First State Bank
Plains	Rocky Mountain Bank of Plains	Townsend	American Federal Savings Bank State Bank of Townsend
		Troy	First National Bank of Libby
		Twin Bridges	Ruby Valley National Bank
		Valier	Wells Fargo Home Mortgage
		West Yellowstone	First Interstate Bank First Security Bank
		White Sulphur Springs	First National Bank of the Rockies
		Whitefish	First Interstate Bank First National Bank Glacier Bank Mann Mortgage
		Whitehall	Rocky Mountain Bank
		Wibaux	Stockman Bank
		Wolf Point	First Community Bank Western Bank of Wolf Point
		Worden	Stockman Bank

450 copies of this public document were published at an estimated cost of \$4.40 per copy, for a total cost of \$1,980.00, which includes \$1,980.00 for printing and \$0.00 for distribution.